UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2009

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from__________ to __________

Commission File Number 0-28000

PRGX Global, Inc.

(Exact name of registrant as specified in its charter)

Georgia *(State or other jurisdiction of incorporation or organization)*	**58-2213805** *(I.R.S. Employer Identification No.)*
600 Galleria Parkway **Suite 100** **Atlanta, Georgia** *(Address of principal executive offices)*	**30339-5986** *(Zip Code)*

Registrant's telephone number, including area code: (770) 779-3900

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, No Par Value	**The NASDAQ Stock Market LLC (The Nasdaq Global Market)**
Preferred Stock Purchase Rights	**The NASDAQ Stock Market LLC (The Nasdaq Global Market)**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes☐ No ☑

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

☐ Large accelerated filer	☐ Accelerated filer	☑ Non-accelerated filer (Do not check if a smaller reporting company)	☐ Small reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes☐ No ☑

The aggregate market value, as of June 30, 2009, of common shares of the registrant held by non-affiliates of the registrant was approximately $44.7 million,

based upon the last sales price reported that date on The Nasdaq Global Market of $2.70 per share. (Aggregate market value is estimated solely for the purposes of this report and shall not be construed as an admission for the purposes of determining affiliate status.)

Common shares of the registrant outstanding as of March 26, 2010 were 23,285,392.

Documents Incorporated by Reference

Part III: Portions of Registrant's Proxy Statement relating to the Company's 2010 Annual Meeting of Shareholders.

PRGX Global, Inc.

FORM 10-K
December 31, 2009

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PART I

ITEM 1. Business

The following discussion includes "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are at times identified by words such as "plans," "intends," "expects," or "anticipates" and words of similar effect and include statements regarding the Company's financial and operating plans and goals. These forward-looking statements include any statements that cannot be assessed until the occurrence of a future event or events. Actual results may differ materially from those expressed in any forward-looking statements due to a variety of factors, including but not limited to those discussed herein and below under Item 1A "**Risk Factors**."

PRGX Global, Inc. and its subsidiaries (collectively, the "Company," "we" or "us"), a United States of America ("U.S.") based company, incorporated in the State of Georgia in 1996, is a business analytics and information services firm. At the heart of the Company's client services portfolio is the core capability of data mining to deliver "actionable insights". This core capability is represented in the Company's go-to-market services message which is "Audit — Analytics — Advice", with analytics central to the Company's value proposition.

"Actionable insights" allow the Company's clients to improve their financial performance by reducing costs, improving business processes and directly increasing profitability. Hence, the Company's recent rebranding to PRGX with its accompanying tag line of "Discover Your Hidden Profits." This process of discovery is entirely about the Company's clients entrusting it with their data so the Company can identify levers to improve its clients' corporate and financial performance.

Historically, the Company's legacy business has been "recovery audit" which is a service provided based on the mining of a tremendous amount of the Company's clients' data, looking for overpayments to their third party suppliers. Most of the Company's large retail clients in mature markets employ their own internal staff to audit and recover overpayments to suppliers, and additionally engage the Company as a supplement to this internal function. For other clients, including some large and mid-size retailers, healthcare companies and the Company's "commercial" (non-retail, non-healthcare) clients, the Company serves as the complete outsourced provider of this standard function. We process over 1.5 million client files each year, including purchase orders, receipt and shipment data, invoices, payables data and point of sales data, and have over 4 petabytes of client data available for analysis.

As part of the Company's new strategy announced in 2009 (see "The PRGX Strategy" below for additional information), the Company launched similar integrated value propositions across other drivers of client profitability. As evidenced by the Company's February 2010 acquisition of Etesius Limited, a spend analytics company based in Chelmsford, United Kingdom (see Note 19 of "Notes to Consolidated Financial Statements" included in Item 8 of this Form 10-K for information regarding this acquisition), the Company is bolstering its client proposition around spend analytics and sourcing/procurement excellence. The data that the Company processes from its clients can be used to create spend reporting at the line item level of detail, which in turn enables supplier rationalization, collaborative purchasing, strategic sourcing and procurement transformation, all of which can dramatically enhance the client's bottom line. The Company is providing these insights through web based technologies using the "SAAS" (software as a service) delivery model. The Company's SAAS model uses a monthly license fee allowing customers to rapidly tailor service levels such as frequency of data refresh and scope of reporting outputs. The Company's range of software based solutions extends to fraud and compliance reporting, control monitoring and contract management. As the Company's clients' data volume and complexity continues to grow, the Company is utilizing its deep data management experience to incubate new "actionable insight" solutions in retail and healthcare as well as developing custom analytics services. Taken together, the Company's software capability and solutions provide multiple routes to discovering hidden profits.

The PRGX Recovery Audit Service Line

The Company is the leading worldwide provider of recovery audit services principally to large businesses and government agencies having numerous payment transactions and complex purchasing environments. These businesses and agencies include:

- retailers such as discount, department, specialty, grocery and drug stores, and wholesalers who sell to these retailers;
- business enterprises other than retailers/wholesalers such as manufacturers, financial services firms, and pharmaceutical companies;
- healthcare payers, both private sector health insurance companies and state and federal government payers such as the Centers for Medicare and Medicaid Services ("CMS"); and
- federal and state government agencies other than government healthcare payers.

In businesses and agencies with large transaction volumes and continuously fluctuating prices or complex rate structures, some small percentage of erroneous overpayments to vendors or providers is inevitable. Although the vast majority of these payment transactions are processed correctly, errors occur in a small percentage of transactions. In the aggregate, these transaction errors can represent significant amounts of cash flow for the Company's clients. The Company's trained, experienced industry specialists use sophisticated proprietary technology and advanced recovery techniques and methodologies to identify overpayments on behalf of clients.

Under virtually all of its recovery audit contracts, the Company receives a contractual percentage of overpayments and other savings it identifies and its clients recover or realize. In other instances, the Company derives some of its revenues on a "fee-for-service" basis where the fee is a flat fee, a fee per hour, or a fee per other unit of service.

The Company conducts its operations through three reportable operating segments: Recovery Audit Services — Americas, Recovery Audit Services — Europe/Asia-Pacific and New Services. The Recovery Audit Services Americas segment represents recovery audit services (other than healthcare recovery audit services) provided in the U.S., Canada and Latin America. The Recovery Audit Services — Europe/Asia-Pacific segment represents recovery audit services (other than healthcare recovery audit services) provided in Europe, Asia and the Pacific region. The New Services segment represents services to healthcare organizations including recovery audit services, business analytics and advisory services. The Company includes the unallocated portion of corporate selling, general and administrative expenses not specifically attributable to the Recovery Audit Services and New Services segments in a segment referred to as corporate support. The Company revised its reportable segments during the fourth quarter of 2009 to reflect the current management and operational structure. Prior to 2009, the Company reported its results under two operating segments — Domestic Accounts Payable Services and International Accounts Payable Services. The presentation of prior years' financial information in this Form 10-K has been restated to conform to the current presentation. See *Note 5* of "Notes to Consolidated Financial Statements" included in Item 8 of this Form 10-K for operating segment disclosures.

The Company currently provides services to clients in over 30 countries. The Americas and Europe/Asia-Pacific Recovery Audit Services segments principally consist of services that entail the review of client accounts payable disbursements to identify and recover overpayments. These operating segments include accounts payable services provided to retailers and wholesale distributors (the Company's historical client base) and accounts payable and other services provided to various other types of business entities and governmental agencies.

In January 2010, PRG-Schultz International, Inc. was renamed PRGX Global, Inc., with simultaneous updates to the Company's logo, marketing communications and website. The purpose of the rebranding was to create a better marketing platform for communicating all of the value that the Company can deliver to clients.

The Recovery Audit Industry

Businesses and government agencies with substantial volumes of payment transactions involving multiple vendors, numerous discounts and allowances, fluctuating prices and complex pricing arrangements or rate structures find it difficult to process every payment correctly. Although the vast majority of payment transactions are processed correctly, errors occur in a small percentage of transactions. These errors include, but are not limited to, missed or inaccurate discounts, allowances and rebates, vendor pricing errors and duplicate payments. In the aggregate, these transaction errors can represent significant amounts of cash flow for the Company's clients. The errors are caused by factors such as communication failures between the purchasing and accounts payable departments, complex pricing arrangements or rate structures, personnel turnover and changes in information and accounting systems.

Although some organizations (including some large retailers) maintain internal recovery audit departments to recover certain types of payment errors and identify opportunities to reduce costs, independent recovery audit firms, like the Company, are often retained as well due to their specialized knowledge and focused technologies. In the U.S., Canada, the United Kingdom and France, large retailers routinely engage independent recovery audit firms as standard business practice. In other countries, large retailers and many other types of businesses are also engaging independent recovery audit firms.

The Company believes that the domestic and international recovery audit industry for accounts payable services in major markets worldwide is comprised of the Company, one smaller but substantial competitor, and numerous other smaller competitors. Most of the smaller recovery audit firms are believed to not possess multi-country service capabilities and lack the centralized resources or broad client base to support the technology investments required to provide comprehensive recovery audit services for large, complex accounts payable systems. These firms are generally less equipped to audit large, data intensive purchasing and accounts payable systems. In addition, many of these firms have limited resources, and may lack experience and the knowledge of national promotions, seasonal allowances and current recovery audit practices. As a result, the Company believes that compared to most other firms providing accounts payable recovery audit services it has competitive advantages based on its national and international presence, well-trained and experienced professionals, and advanced technology.

As businesses have evolved, the Company and the recovery audit industry have evolved with them, innovating processes, error identification tools, and claim types to maximize recoveries. The following are a number of factors significantly impacting the recovery audit industry:

- *Data Capture and Availability.* Businesses are increasingly using technology to manage complex procurement and accounts payable systems and realize greater operating efficiencies. Many businesses worldwide communicate with vendors electronically — whether by Electronic Data Interchange ("EDI") or the Internet — to exchange inventory and sales data, transmit purchase orders, submit invoices, forward shipping and receiving information and remit payments. These systems capture more detailed data and enable the cost effective review of more transactions by recovery auditors.
- *Increasing Number of Auditable Claim Categories.* Traditionally, the recovery audit industry identified simple, or "disbursement," claim types such as the duplicate payment of invoices. Enhancements to accounts payable software, particularly large enterprise software solutions used by many large companies, have reduced the extent to which these companies make simple disbursement errors. However, the introduction of creative vendor discount programs, complex pricing arrangements and activity-based incentives has led to an increase in auditable transactions and potential sources of error. These transactions are complicated to audit as the underlying transaction data is difficult to access and recognizing mistakes is complex. Recovery audit firms such as the Company with significant industry-specific expertise and sophisticated technology are best equipped to audit these complicated, or "contract compliance," claim categories.
- *Globalization.* As the operations of major retailers and other business enterprises become increasingly global, they often seek service providers with a global reach.
- *Consolidation in the Retail Industry.* Retailer consolidation continues in both the U.S. and internationally. As retailers grow larger, vendors become more reliant on a smaller number of customers and, as a result, the balance of power favors retailers rather than their vendors. This dynamic creates an environment that allows retailers to assert overpayment claims more easily.

- *Significant Promotional Activity.* Trade promotion spending is substantial within the retail trade and significant sums are being spent in categories with numerous transactions and a high potential for errors, such as scan downs, or discounts at the point of sale. Because of the high volume of trade promotion within retail, there are significant opportunities for mistakes and, therefore, auditable claims.
- *Move Toward Standard Auditing Practices.* Increasingly, vendors to the Company's clients are insisting on the satisfaction of certain conditions, such as clearer post-audit procedures, better documentation and electronic communication of claims, before accepting the validity of a claim.

The evolution of the recovery audit industry is expected to continue. In particular, the Company expects that the industry will continue to move towards the electronic capture and presentation of data, more automated, centralized processing and faster approvals and deductions of claims.

The PRGX Recovery Audit Solution

The Company provides its domestic and international clients with comprehensive recovery audit services by using sophisticated proprietary technology and a business intelligence platform, utilizing advanced auditing techniques and methodologies, and by employing highly trained, experienced industry specialists. As a result, the Company believes it is able to identify significantly more payment errors than its clients are able to identify through their internal audit capabilities and more payment errors than many of its competitors are able to identify.

The Company is a leader in developing and utilizing sophisticated software audit tools and techniques that enhance the identification and recovery of payment errors. By leveraging its technology investment across a large client base, the Company is able to continue developing proprietary software tools and expanding its technology leadership in the recovery audit industry. The Company is also a leader in establishing new recovery audit practices to reflect evolving industry trends.

The Company's auditors are highly skilled professionals. Many have joined the Company from finance-related management positions in the industries the Company serves. To support its clients, the Company provides its auditors and audit teams with data processing services, software and software support, sales and marketing assistance, and training and administrative services.

The PRGX Strategy

During 2009, the Company's executive management team performed an extensive review of the Company's competitive advantages and marketplace opportunities and developed a revised business strategy. The five components of the new growth strategy are:

1. grow the accounts payable recovery audit business;
2. grow the healthcare recovery audit business;
3. expand data mining for profitability;
4. grow the advisory services business; and
5. build a strong team with a high-performance culture.

These elements of the new growth strategy represent the reinvigoration of the core business while significantly expanding the services portfolio. The go-to-market strategy is built on a competency foundation that includes data mining, audit/forensics capabilities, finance and procure-to-pay business process expertise, and a proprietary business intelligence platform. The services that best leverage these capabilities are now referred to as audit, analytics and advice. The Company believes that these services can be combined to effectively discover and deliver hidden profits for its clients, enabling the creation of a new service category in the professional services marketplace: ***Profit Discovery***.

Grow the Accounts Payable Recovery Audit Business

The "Grow the Accounts Payable Recovery Audit Business" component of the new strategy is centered on expanding the Company's traditional stronghold in recovery audit in the retail industry, along with a renewed focus on profitably delivering recovery audit services to non-retail (or what is internally referred to as "commercial") clients.

In order to facilitate growth in the accounts payable recovery audit market, the Company has reintroduced a dedicated sales force. In addition, several programs have been initiated to improve the quality of the Company's client relationships and to better manage its existing accounts. The Company has established alliance agreements with several third party service providers to allow the Company to offer its clients a comprehensive suite of recovery audit services beyond accounts payable to include tax, real estate, and telecommunications audits. The new service offerings made possible by these alliance partners both broaden the scope of our audits with existing clients and will help establish new client relationships and business opportunities around the globe. With a keen focus on business development and audit strategy, the Company is optimistic about building this core part of its business.

For the commercial market, a dedicated sales team has again been created for the commercial recovery audit market, enabling the aggressive pursuit of this client base. Through the centralization of audit services capabilities, the Company has substantially improved its ability to serve these clients profitably. Additional service delivery model adjustments are underway to further improve the gross margin of what is expected to become a larger portion of the Company's recovery audit client base.

Simultaneously, although over a slightly longer time frame, the Company is building the next-generation recovery audit business model by leveraging emergent technology and a global service footprint to significantly lower the cost-to-serve. This will enable the Company to serve current clients more efficiently and will also significantly expand the addressable target market.

Grow the Healthcare Recovery Audit Business

The majority of the Company's Healthcare Recovery Audit services to date relates to the auditing of Medicare spending as part of the legislatively mandated recovery audit contractor ("RAC") program of the Centers for Medicare and Medicaid Services ("CMS"), the federal agency that administers the Medicare program. From March 28, 2005 through March 27, 2008, the Company was one of three recovery audit contractors that participated in CMS's demonstration recovery audit contractor project after being awarded contracts by CMS. Under the demonstration project, the Company was responsible for auditing Medicare spending in the State of California and two other contractors were responsible for auditing Medicare spending in Florida and New York. Under CMS's national RAC program, the auditing under which is still ramping up, the Company is operating as a subcontractor in three of the national RAC program's four geographic regions. The principal services provided as part of the Medicare RAC program involve the identification of overpayments and underpayments made by Medicare to healthcare providers, such as hospitals and physicians' practices. The Company identifies such improper payments by using various methods, including proprietary methods which are comparable to the Company's proprietary techniques developed through many years of performing other types of recovery audits involving massive volumes of transaction data.

The Company's growth strategy in healthcare is to execute with excellence its role in the CMS RAC program, and leverage its healthcare services infrastructure to expand recovery audit services to other healthcare payers. The Company has invested heavily in the infrastructure and tools required to execute its RAC program subcontracts and expects to continue investing in this business over the next 9 to 12 months. We believe much of this infrastructure can be applied to audit medical claims paid by other healthcare payers. The Company has started building a sales capability to sell into other government entities, private payers, and self-administered employers.

Expand Data Mining for Profitability

The Company has launched an integrated value proposition across drivers of client profitability other than the recovery of overpayments. As evidenced by the Company's acquisition of Etesius Limited on February 25, 2010 (see *Note 19* of "Notes to Consolidated Financial Statements" included in Item 8 of this Form 10-K for more information), the Company is bolstering its client proposition around spend analytics and sourcing/procurement excellence. All of the data that the Company processes from its clients can be used to create spend reporting at the line item level of detail, a capability which many of the Company's clients do not possess in-house. These reports

are provided to the Company's clients as a service, commonly known as "SAAS" or software as a service, at a frequency level and service level pre-defined by the client. The Company will also provide software solutions around fraud testing and prevention, compliance and controls, contract management and other elements of the procure to pay process.

Grow the Advisory Services Business

Senior executives of complex organizations regularly require external help to identify and realize profit improvement opportunities. The Company's advisory services combine data analytics with deep functional expertise and a practical hands-on approach to help these client executives improve their operating margins. Our immediate service offerings supporting the CFO suite include working capital optimization, corporate performance management, enterprise cost reduction and finance transformation. Additional service areas that leverage the Company's analytical capabilities and long-standing client relationships are in development. These new services are designed to improve the profitability of its clients' procure-to-pay cycle and merchandise optimization.

Build a Strong Team with a High-Performance Culture

The final element of the Company's strategy is to become a magnet for global talent and expertise relevant to its service lines and operations. As part of the Company's overall transformation, a culture of results-oriented performance and collaboration must be built, and innovation and knowledge sharing must be facilitated. This transformation is crucial to ensure that the very best practices are captured, understood, and deployed consistently across every client globally. In addition, the Company intends to significantly increase its focus on recruiting. The success of the Company's new strategy is predicated on finding and putting in place client-facing personnel who can identify the levers to add to clients' profitability and effectively position the Company's services.

PRGX Services

Accounts Payable Recovery Audit Services

Recovery auditing is a business service focused on finding overpayments created by complex purchasing processes. Through the use of proprietary technology, audit techniques and methodologies, the Company's trained and skilled auditors examine procurement records on a post-payment basis to identify overpayments, including those resulting from situations such as missed or inaccurate discounts, allowances and rebates, vendor pricing errors and duplicate payments.

The Company serves two main client types in its core accounts payable recovery audit business: retailers/wholesalers and business enterprises other than retailers/wholesalers (called "commercial" clients within the recovery audit industry). Each type is typically served with a different service delivery model, as more particularly described below.

Retail/Wholesale

Accounts payable recovery audit services provided to retail/wholesale clients currently accounts for the substantial majority of the Company's revenues. These audit services typically recur annually and are the most extensive of the Company's recovery audit services, focusing on numerous recovery categories related to procurement and payment activities, as well as client/vendor promotions and allowances. These audits typically entail comprehensive and customized data acquisition from the client, frequently including purchasing, receiving, point-of-sale, pricing and deal documentation, emails, and payment data. Recovery audits for larger retail/wholesale clients often require year-round on-site work by multi-auditor teams.

Commercial

The service model for commercial clients is generally different from that for retailers. The substantial majority of the Company's domestic commercial recovery audit services clients are served using a disbursement audit service model which entails obtaining limited data from the client and an audit focus on a select few recovery categories. Services to these types of clients to date have tended to be either periodic (typically, every two to three years) or

rotational in nature with different divisions of a given client being audited in pre-arranged periodic sequences. Accordingly, revenues derived from a given commercial client may change markedly from year to year. Additionally, the duration of a disbursement audit is often measured in weeks or months, as opposed to years, and the number of auditors assigned per client is usually between one and five.

Healthcare Recovery Audit Services

The principal services currently provided as part of healthcare recovery audit involve the identification of overpayments and underpayments made to healthcare providers, such as hospitals and physicians' practices. The Company identifies such improper payments by using various methods, including proprietary methods which are comparable to the Company's proprietary techniques developed through many years of performing other types of recovery audits involving massive volumes of transaction data. Auditing medical claims data requires in-depth expertise in healthcare procedures and billing processes, requiring a staff of healthcare professionals, including doctors and nurses.

Three different categories of healthcare recovery auditing are:

- Administrative compliance — analysis of paid claims data to determine if services were provided based on contractual, policy and procedural standards;
- Coding and billing — analysis of paid claims data and corresponding medical records to determine payment accuracy; and
- Medical necessity — analysis of paid claims data and review of medical records to determine if services were reasonable and necessary.

The Company's clients for its healthcare recovery audit services include CMS and other governmental and private payers.

Business Analytics and Advisory Services

The Company provides advisory services to senior finance executives to optimize working capital, reduce enterprise costs, transform the finance function and improve corporate performance. These services target client functional and process areas where the Company has established expertise. Recovery audit services operate in a mindset of continuous improvement, i.e., reporting on the over-payment "categories" and their root causes. The Company's advisory services teams are well positioned to help clients resolve many of the root causes of errors identified as part of the Company's recovery audit services.

Further, the Company believes there are additional opportunities to expand the advisory services it provides to clients. Specific opportunities relate to services tailored for CFOs and controllers, direct procurement or merchandising for retailers, and indirect procurement leaders across all industries. The Company is investing in a portfolio of services that will target the CFO suite, and will continue to evaluate how to leverage deep category insights to help clients procure better.

Both the business analytics and advisory services businesses have independent go-to-market elements, however the Company sees the opportunity for greater client value by leveraging analytics capabilities and insights in combination with the delivery of advisory services. To deliver on this promise, the first of what will eventually be several key 'integrated value propositions,' combining services across our continuum, are currently under development. With a combination of data analytics, deep functional expertise, and a practical hands-on approach, the Company is building a body of project work that it believes will serve as important qualifications for the future, and the Company is expanding its business analytics and advisory services teams as it makes additional investments in these areas in 2010.

Clients

The Company provides its services principally to large and mid-sized businesses and government agencies having numerous payment transactions and complex procurement environments. Retailers/wholesalers continue to constitute the largest part of the Company's client and revenue base. The Company's five largest clients contributed

approximately 29.9%, 30.4% and 32.6% of its revenues from continuing operations for the years ended December 31, 2009, 2008 and 2007, respectively. For the years ended December 31, 2009 and 2008, Wal-Mart Stores Inc. (and its affiliated companies) accounted for approximately 12.3% and 11.2% of our total revenues, respectively. The Company did not have any clients who individually provided revenues in excess of 10.0% of total revenues from continuing operations during the year ended December 31, 2007.

Sales and Marketing

Due to the highly confidential and proprietary nature of an organization's purchasing patterns, procurement practices and payment data, as well as the typical desire to maximize the amount of funds recovered, most prospective clients conduct an extensive investigation prior to engaging a specific recovery audit firm. The Company has found that its service offerings that are the most annuity-like in nature, such as a contract compliance audit, typically require a relatively long sales cycle and a relatively high level of direct person-to-person contact.

To support the overall recovery audit growth strategy the Company has developed new sales teams for Recovery Audit Services-Americas. Within this segment, sales roles have been created to separately target the retail recovery audit market, the commercial recovery audit market, and the healthcare recovery audit market. Different sales strategies have also been implemented to best serve each of the different markets (e.g. external sales vs. internal sales) and sales enablement resources have been created to support the different Americas sales teams. Recovery audit sales efforts are also coordinated with the business analytics and advisory services sales efforts to ensure that integrated solutions that meet client needs are being offered. Similar sales strategies and dedicated sales teams are also in use in the Europe/Asia-Pacific recovery audit market.

Client Contracts

The Company typically provides services to its clients under terms of a contract. The Company's compensation under recovery audit service contracts is in most all cases set as a stipulated percentage of improper payments or other savings recovered for or realized by clients. Recovery audit clients generally recover claims by either (a) taking credits against outstanding payables or future purchases from the involved vendors, or (b) receiving refund checks directly from those vendors. The manner in which a recovery audit claim is recovered by a client is often dictated by industry practice. In many cases, client-specific procedural guidelines must be satisfied by the Company before recovery audit claims are submitted for client approval. For some services provided by the Company such as advisory services, client contracts often provide for compensation to the Company in the form of a flat fee, or fee rate per hour, or a fee per other unit of service.

Most of the Company's contracts contain provisions that would permit the client to terminate the contract without cause prior to the completion of the term of the agreement by providing us with relatively short prior written notice of the termination. In addition to being subject to termination for material default, the Company's CMS RAC program subcontracts are subject to termination or partial termination for convenience to the extent all or any portion of the work covered by the associated RAC prime contract is eliminated by CMS, or to the extent the Company's performance of the subcontract results in an organizational conflict of interest that is not mitigated or able to be mitigated after joint consultation among CMS, the RAC prime contractor and the Company.

Technology

The Company uses advanced, proprietary information systems and processes and a large-scale technology infrastructure to conduct its audits of clients' payment transactions. Because of the ever increasing volume and complexity of the transactions of its clients, the Company believes that its proprietary technology and processes serve as important competitive advantages over both its principal competitors and its clients' in-house internal recovery audit functions. To sustain these competitive advantages, the Company continually invests in technology initiatives for the purpose of sustaining and improving its advantages in delivering innovative solutions that improve both the effectiveness and efficiency of the Company's services.

The Company's data acquisition, data processing and data management methodologies are aimed at maximizing efficiencies and productivity and maintaining the highest standards of transaction auditing accuracy.

At the beginning of a typical recovery audit engagement, the Company utilizes a dedicated staff of data acquisition specialists and proprietary tools to acquire a wide array of transaction data from the client for the time period under review. The Company typically receives this data by secured electronic transmissions, magnetic media or paper. For paper-based data the Company uses a custom, proprietary imaging technology to scan the paper into electronic format. Upon receipt, the data is secured, catalogued, backed up and converted into standard, readable formats using third party and proprietary tools.

Massive volumes of client data are cleansed and mapped by the Company's technology professionals, primarily using high performance database and storage technologies, into standardized layouts at one of the Company's data processing facilities. Statistical reports are also generated to verify the completeness and accuracy of the data.

The data is then processed using algorithms (business rules) leveraging over thirty years' experience to help uncover patterns or potential problems in clients' various transactional streams. The Company delivers this data with a high probability of transaction errors to its auditors who, using the Company's proprietary audit software, sort, filter and search the data to validate and identify actual transaction errors. The Company also maintains a secure database of audit information with the ability to query on multiple variables, including claim categories, industry codes, vendors and audit years, to facilitate the identification of additional recovery opportunities and provide recommendations for process improvements to clients.

Once errors are validated, the information is presented to clients for approval and submission to vendors as "claims." The Company offers an Internet-based claim presentation and collaboration tool, which leverages its proprietary imaging technology to help the client view, approve and submit claims to vendors.

In the spend analytics business, the Company uses proprietary algorithms and technologies to clean and classify a client's vendor spend data down to the line item level. This information is then presented to clients as a multi-dimensional data cube over a web-based interface. The Company believes these proprietary algorithms and technologies provide it with a competitive advantage over many of its competitors.

The Company has implemented and manages several distinct technical and procedural controls to ensure the confidentiality and security of client data and other information. The data security program encompasses compliance with applicable regulatory requirements within a framework based on International Standards Organization publications and industry best practices.

Auditor Hiring, Training and Compensation

Many of the Company's auditors and specialists formerly held finance-related management positions in the industries the Company serves. Training provided in the field by the Company's experienced auditors enables newly hired auditors to develop and refine their auditing skills and improve productivity. Additionally, the Company provides training for auditors utilizing both classroom training and training via self-paced media such as specialized computer-based training modules. Training programs are periodically upgraded based on feedback from auditors and changing industry protocols. Many of the Company's auditors and specialists participate in one of the Company's incentive compensation plans that link compensation of the auditor or specialist to audit performance.

Proprietary Rights

From time to time, the Company develops new software and methodologies that replace or enhance existing proprietary software and methodologies. The Company relies primarily on trade secret and copyright protection for its proprietary software and other proprietary information. The Company owns or has rights to various copyrights, trademarks and trade names used in the Company's business. The Company's trademarks and trade names include, but are not limited to *PRGX℠, Discover Your Hidden Profits℠, PRG-Schultz®, imDex®, AuditPro™, SureF!nd™, Direct F!nd™ and claimDex™.*

Competition

Accounts Payable Recovery Audit

The Company has numerous accounts payable recovery audit competitors, all but one of which are believed to be substantially smaller than the Company. The Company believes that only one of its competitors, also believed to be smaller than the Company, offers a full suite of international recovery audit services. Barriers to effective entry and longevity as a viable accounts payable auditor are believed to vary based on the complexity of the audit. For complex audits, including contract compliance auditing such as that done for large retailers, the Company believes that barriers to entry are significant as a result of numerous factors including, but not limited to, significant technology infrastructure requirements, the need to gather, summarize and examine volumes of client data at the line-item level of detail, the need to establish effective audit techniques and methodologies, and the need to hire and train audit professionals to work in a very specialized manner that requires technical proficiency with numerous recovery categories.

The Company believes that the barriers to entry for less complex duplicate and statement disbursement audit services are relatively low and that this market is highly competitive. It is the Company's belief that the low barriers to entry for these types of services result from limited technology infrastructure requirements, the need for relatively minimal high-level data, and an audit focus on a select few recovery categories. The Company's revenues for the less complex duplicate and statement disbursement audit services total less than 5% of its total revenues for 2009.

While the Company believes that it has the greatest depth and breadth of audit expertise, data and technology capabilities, scale and global presence in the industry, the Company faces competition from the following:

Client Internal Recovery Audit Departments. A number of large retailers (particularly those in the discount, grocery and drug sectors) have developed an internal recovery audit process to review transactions prior to turning them over to external recovery audit firms. Regardless of the level of recoveries made by internal recovery audit departments, the Company has observed that virtually all large retail clients retain at least one (primary), and sometimes two (primary and secondary), external recovery audit firms to capture errors not identified by their internal recovery audit departments.

Other Accounts Payable Recovery Audit Firms. The competitive landscape in the recovery audit industry is comprised of:

- Full-service accounts payable recovery audit firms. The Company believes that only one other company also offers a full suite of U.S. and international recovery audit services;
- A large number of smaller accounts payable recovery firms which have a limited client base and which use less sophisticated tools to mine disbursement claim categories at low contingency rates. These firms are most common in the U.S. market. Competition in most international markets, if any, typically comes from small niche providers;
- Firms that offer a hybrid of audit software tools and training for use by internal audit departments, and/or general accounts payable process improvement enablers; and
- Firms with specialized skills focused on recovery audit services for discrete sectors such as sales and use tax or real estate.

Other Providers of Recovery Audit Services. The major international accounting firms provide recovery audit services; however, the Company believes their practices tend to be focused on tax-related services.

Healthcare Recovery Audit Services

A number of national and regional private payers also have developed their own post payment recovery audit capabilities. Nevertheless, these private payers typically also retain or engage one or more third party post payment audit service providers. The competitive landscape in the healthcare recovery audit includes:

- Firms that provide recovery audit services across multiple industries including healthcare;
- Firms that provide healthcare IT solutions and services to both the government and private payers; and

- Firms that contract with federal and state governments' integrity programs.

Business Analytics Services

The Company's business analytics services compete with a range of providers ranging from large, well known ERP software vendors, procurement specific software providers and smaller, very specialized analytics providers. In addition, in certain instances the Company may be competing against consulting firms that develop custom analytics tools on behalf of their clients.

Advisory Services

The Company's advisory services business faces competition from regional and local consulting firms as well as from privately and publicly held worldwide and national firms, many of whom have established and well known franchises and brands. These businesses compete generally on the basis of the range, quality and cost of the services and products provided to clients. The Company believes that it is differentiated from its competitors by virtue of synergies with the Company's analytics capabilities and its direct channel to existing accounts payable recovery audit clients.

Regulation

Various aspects of the Company's business, including, without limitation, its data acquisition, processing and reporting protocols, are subject to extensive and frequently changing governmental regulation in both the U.S. and internationally. These regulations include extensive data protection and privacy requirements such as, in the U.S., the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), with respect to the Company's healthcare claims recovery audit work, and, internationally, the European Data Protection Directive, as such Directive has been implemented by various members of the European Union in which the Company operates. Failure to comply with such regulations may, depending on the nature of the noncompliance, result in the termination or loss of contracts, the imposition of contractual damages, civil sanctions, damage to the Company's reputation or in certain circumstances, criminal penalties.

Employees

As of January 31, 2010, the Company had approximately 1,300 employees, of whom approximately 630 were located in the U.S. The majority of the Company's employees are involved in the audit function. None of the Company's employees are covered by a collective bargaining agreement and the Company believes its employee relations are satisfactory.

Website

The Company makes available free of charge on its website, www.prgx.com, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports. The Company makes all filings with the Securities and Exchange Commission available on its website no later than the close of business on the date the filing was made. In addition, investors can access the Company's filings with the Securities and Exchange Commission at www.sec.gov.

ITEM 1A. Risk Factors

Revenues from our accounts payable recovery audit business have declined over the last several years. We must successfully execute our recovery audit growth strategy in order to reverse this trend.

Over time, our clients tend to resolve recurring transaction processing deficiencies. In addition, many of our clients have internal staffs that audit the transactions before we do. As the skills, experience and resources of our clients' internal recovery audit staffs improve, they will identify many overpayments themselves and reduce some of our audit recovery opportunities. Based on these and other factors, including competitive rate pressures and loss of clients from time to time, without improved audit execution and acquisition of new clients, we believe that our accounts payable recovery audit business will continue to experience revenue declines.

We depend on our largest clients for significant revenues, so losing a major client could adversely affect our revenues and liquidity.

We generate a significant portion of our revenues from our largest clients. For the years ended December 31, 2009, 2008 and 2007, our five largest clients accounted for approximately 29.9%, 30.4% and 32.6% of our revenues from continuing operations, respectively. For the years ended December 31, 2009 and 2008, Wal-Mart Stores Inc. (and its affiliated companies) accounted for approximately 12.3% and 11.2% of our total revenues, respectively. If we lose any of our major clients, our results of operations and liquidity could be materially and adversely affected.

We have a history of losses and may not be able to sustain profitability.

We reported a net loss from continuing operations of $7.1 million for the year ended December 31, 2007 and net losses of $21.1 million, $207.7 million, $71.5 million, and $160.8 million for the years ended December 31, 2006, 2005, 2004 and 2003, respectively. Despite reporting a profit from continuing operations for the years ended December 31, 2009 and 2008, we can make no assurance that our ongoing cost management efforts or our attempts to increase our revenues will be successful on a sustained basis. If we are not able to increase revenues and effectively manage our costs, we may not be able to sustain profitability in the future or generate sufficient cash to fund our operations and pay our indebtedness.

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

Our clients generally operate in intensely competitive environments and, accordingly, bankruptcy filings by our clients are not uncommon. Bankruptcy filings by our large clients or the significant vendors who supply them or unexpectedly large vendor claim chargebacks lodged against one or more of our larger clients could have a materially adverse effect on our financial condition and results of operations. Similarly, our inability to collect our accounts receivable due to other financial difficulties of one or more of our large clients could adversely affect our financial condition and results of operations.

Recent economic conditions which have adversely impacted the U.S. retail industry may continue to negatively impact our revenues. Since we audit our clients' purchases on an average of 12-18 months in arrears, we may not know the full impact of the recent economic downturn on our business and revenues until late 2010 or later. We expect that if the retail industry economic conditions continue to erode, it could continue to have a negative impact on our revenues. Specifically, client liquidity and the liquidity of client vendors can significantly impact claim production, the claim approval process, and the ability of clients to offset or otherwise make recoveries from their vendors.

If a client files for bankruptcy, we could be subject to an action to recover certain payments received in the 90 days prior to the bankruptcy filing known as "preference payments." If we are unsuccessful in defending against such claims, we would be required to make unbudgeted cash payments which could strain our financial liquidity and our earnings would be reduced.

Our growth strategy may not be successful.

As discussed in Item 1 "The PRGX Strategy," our objective is to build on our position as the leading worldwide provider of recovery audit services and to develop and grow our business analytics and advisory services businesses.

Our strategic plan to achieve these objectives focuses on a series of initiatives designed to maintain our dedicated focus on clients and rekindle our growth. We are executing a number of initiatives that are designed to implement our strategy. These initiatives are ongoing and the results of the strategy and implementation will not be known until sometime in the future. Each of the initiatives requires sustained management focus, organization and coordination over time, as well as success in building relationships with third parties. If we are unable to implement our strategy successfully, our results of operations and cash flows could be adversely affected. In addition, implementation of our strategy will require material investments and cost increases which may not yield incremental revenues and improved financial performance as planned.

We have incurred significant costs in establishing the necessary resources to provide services for Medicare audit recovery work and we will continue to incur significant costs as a subcontractor in the national RAC program. Furthermore, revenues from our Medicare audit recovery work lag significantly behind these costs and may not justify the costs incurred.

We have expended substantial resources in connection with preparing for and providing Medicare audit services under CMS’s RAC program. While our participation in the RAC demonstration project made an important contribution to our revenues in 2006 and 2007, the RAC demonstration project contract expired on March 27, 2008. We continue to incur significant costs relating to our participation as a subcontractor in the national RAC program. We incurred an operating loss of approximately $4.0 million during the year ended December 31, 2009 in connection with our RAC subcontractor program work. In addition, as a result of the complex regulations governing Medicare payments and recoupments, including a multi-layered scheme for provider appeals of overpayment determinations, the terms of the Company’s Medicare audit subcontracts and the complexity of Medicare data, systems and processes, generally, it is more difficult and takes longer to achieve recoveries than in other areas of our recovery audit business.

Recovery auditing of Medicare spending is subject to a number of pressures and uncertainties that could impact our future opportunities and revenues from this business.

As contrasted with recovery auditing for our retail/wholesale and commercial clients, recovery auditing of Medicare spending is a legislatively mandated program subject to, among other things, the efforts of healthcare providers and provider associations, including political pressures, to end or severely limit the CMS recovery audit program. These efforts and political pressures are expected to be ongoing throughout the life of the CMS recovery audit program and during 2007, for example, resulted in a number of significant developments. In October 2007, CMS implemented a temporary “pause” in our review under the RAC demonstration program of certain payments made to rehabilitation hospitals. Further, on November 8, 2007, legislation was introduced in Congress proposing a one year halt to CMS’s recovery audit program and calling for an assessment of the program by the U.S. Government Accountability Office. Although the referenced legislation was not passed, and the national CMS RAC program is underway, similar legislative efforts to delay or eliminate the program could emerge at any time and management is unable to assess the prospects for the success of any such legislation. Furthermore, efforts by healthcare providers and provider associations to limit or end the program are expected to be ongoing. If CMS’s recovery audit program is significantly limited or delayed, subjected to burdensome or commercially challenging requirements, terms and/or conditions, or altogether terminated, our future revenues, operating results and financial condition could be materially adversely impacted.

Our participation in the national Medicare recovery audit program is as a subcontractor, and consequently, is subject to being reduced or eliminated should the prime contractors with whom we have contracted have their prime contracts with CMS terminated or should those contracts expire.

Under CMS’s national recovery audit contractor program, we will be participating as a subcontractor in three of the national RAC program’s four geographic regions. Accordingly, we have entered into three separate contracts with the prime contractors and are not directly contracting with CMS. Under these circumstances, we generally bear the risk that the prime contractors will not meet their performance obligations to CMS under the prime contract, that the prime contractors will not pay us amounts due under the subcontracts and that the prime contractors will seek to minimize our role in RAC program. The failure of a prime contractor to perform its obligations to CMS could result in the termination of such contract with CMS which would, in turn, result in the termination of our subcontract. Additionally, CMS could choose to not exercise its option to extend its contract with any of the prime contractors at the end of any one-year term, which would also, in turn, result in our subcontract with that prime contractor

expiring. The termination or expiration of these subcontracts or the failure of the prime contractors to make required payments to us could have a material adverse effect on our business, financial condition and results of operations.

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

Our operations could be materially and adversely affected if we are not able to protect our proprietary software, audit techniques and methodologies, and other proprietary intellectual property rights. We rely on a combination of trade secret and copyright laws, nondisclosure and other contractual arrangements and technical measures to protect our proprietary rights. Although we presently hold U.S. and foreign registered trademarks and U.S. registered copyrights on certain of our proprietary technology, we may be unable to obtain similar protection on our other intellectual property. In addition, our foreign registered trademarks may not receive the same enforcement protection as our U.S. registered trademarks.

Additionally, to protect our confidential and trade secret information, we generally enter into nondisclosure agreements with our employees, consultants, clients and potential clients. We also limit access to, and distribution of, our proprietary information. Nevertheless, we may be unable to deter misappropriation or unauthorized dissemination of our proprietary information, detect unauthorized use and take appropriate steps to enforce our intellectual property rights. Even though we take care to protect our own intellectual property, there is no guarantee that our competitors will not independently develop technologies that are substantially equivalent or superior to our technology. Moreover, although we believe that our services and products do not infringe on the intellectual property rights of others, we are also subject to the risk that someone else will assert a claim against us in the future for violating their intellectual property rights.

Security breaches or computer viruses could harm our business by disrupting our delivery of services, damaging our reputation or exposing us to liability.

We receive, process, store and transmit our clients' confidential data electronically. Unauthorized access to our computer systems or stored data could result in the theft or disclosure of confidential information or the deletion or modification of records or could cause interruptions in our operations. These security risks increase when we transmit information over the Internet or other electronic networks. Despite implemented security measures, computer viruses from electronic networks or in physical media could infiltrate our systems and disrupt our delivery of services or expose our clients' confidential information. A security breach or computer virus could have a negative impact on our reputation, could expose us to liability to our clients, third parties or government authorities and could cause our present and potential clients to choose another service provider. Any of these developments could have a material adverse effect on our business, results of operations and financial condition.

Operational failures in our data processing facilities could harm our business and reputation.

An interruption of data processing services caused by damage or destruction of our facilities or a failure of our data processing equipment could result in a loss of clients, difficulties in obtaining new clients and a reduction in revenue. In addition, we may also be liable to third parties or our clients because of such interruption. These risks increase with longer service interruptions. Despite any disaster recovery and business continuity plans and precautions we have implemented (including insurance) to protect against the effects of service delivery interruptions, such interruptions could result in a material adverse effect on our business, results of operations and financial condition.

Our failure to retain the services of key members of management and highly skilled personnel could adversely impact our operations and financial performance.

Our future success depends largely on the efforts and skills of our executive officers and key employees. As such, we have entered into employment agreements with key members of management. While these employment agreements limit the ability of key employees to directly compete with us in the future, nothing prevents them from leaving our company.

In addition, it is especially challenging to attract and retain highly qualified skilled auditors and other professionals in an industry where competition for skilled personnel is intense. Accordingly, our future performance also depends, in part, on the ability of our management team to work together effectively, manage our workforce,

and retain highly qualified personnel.

We rely on operations outside the U.S. for a significant portion of our revenues.

Approximately 45.8% and 42.8% of our revenues from continuing operations were generated from operations outside the U.S. in 2009 and 2008, respectively. These international operations are subject to numerous risks, including:

- political and economic instability in the international markets we serve;
- difficulties in staffing and managing foreign operations and in collecting accounts receivable;
- fluctuations in currency exchange rates, particularly weaknesses in the British pound, the euro, the Canadian dollar, the Mexican peso, and the Brazilian real and other currencies of countries in which we transact business, which could result in currency translations that materially reduce our revenues and earnings;
- costs associated with adapting our services to our foreign clients' needs;
- unexpected changes in regulatory requirements and laws;
- expenses and legal restrictions associated with transferring earnings from our foreign subsidiaries to us;
- burdens of complying with a wide variety of foreign laws and labor practices;
- business interruptions due to widespread disease, potential terrorist activities, or other catastrophes;
- reduced or limited protection of our intellectual property rights; and
- longer accounts receivable cycles.

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

Our revenues from providing accounts payable recovery audit services to commercial clients have been declining.

The service model for commercial clients is generally different from that for retailers. The substantial majority of our domestic commercial accounts payable recovery audit clients are served using a disbursement audit service model which entails obtaining limited data from the client and an audit focus on a select few recovery categories. Historically, services to these types of clients have tended to be either periodic (typically, every two to three years) or rotational in nature with different divisions of a given client being audited in pre-arranged periodic sequences. Accordingly, revenues derived from a given commercial client may change markedly from year to year. Additionally, the duration of a disbursement audit is often measured in weeks or months, as opposed to years, and the number of auditors assigned per client is usually between one and five. We will need to successfully execute our strategies to lower our cost to serve commercial recovery audit clients, broaden the number of profitably served recovery audit clients and grow our other lines of business in order to stabilize and increase our revenues to replace declining revenues from this business.

Our recovery audit services, business analytics and advisory services businesses operate in highly competitive environments and are subject to pricing pressure.

The recovery audit business is highly competitive, with numerous other recovery audit firms and other providers of recovery audit services, and with many clients having developed their own internal audit capabilities. As a result of competition among the providers of recovery audit services and the availability of certain audit services from clients' internal audit departments, our recovery audit services business is subject to intense price pressure. Such price pressure could cause our profit margins to decline and have a material adverse effect on our business, financial condition, and results of operations.

Our business analytics and advisory services businesses also have numerous competitors varying in size, market strength and specialization. These businesses face competition, in some cases, from firms who have established and well known franchises and brands. Frequently, these businesses must compete not only on service quality and expertise, but also on price. Intense price competition faced by these service lines could negatively impact our profit margins and have a potential adverse effect on our business, financial condition and results of operations.

Generally our client contracts contain provisions under which the client may terminate the agreement prior to the completion of the agreement.

Many of our client contracts contain provisions that would permit the client to terminate the contract without cause prior to the completion of the term of the agreement by providing us with relatively short prior written notice of the termination. As a result, the existence of contractual relationships with our clients is not an assurance that we will continue to provide services for our clients through the entire terms of their respective agreements. If clients representing a significant portion of our revenues terminated their agreements unexpectedly, we may not, in the short-term, be able to replace the revenues and earnings from such contracts and this would have a material adverse effect on our operations and financial results. In addition, client contract terminations could also harm our reputation within the industry which could negatively impact our ability to obtain new clients.

Our failure to comply with applicable governmental privacy laws and regulations could substantially impact our business, operations and financial condition.

We are subject to extensive and evolving federal, state and foreign privacy laws and regulations. Changes in privacy laws or regulations or new interpretations of existing laws or regulations could have a substantial effect on our operating methods and costs. Failure to comply with such regulations could result in the termination or loss of contracts, the imposition of contractual damages, civil sanctions, damage to the Company's reputation, or in certain circumstances, criminal penalties, any of which could have a material adverse effect on our results of operations, financial condition, business and prospects. Determining compliance with such regulations is complicated by the fact that many of these laws and regulations have not been fully interpreted by governing regulatory authorities or the courts and many of the provisions of such laws and regulations are open to a wide range of interpretations. There can be no assurance that we are or have been in compliance with all applicable existing laws and regulations or that we will be able to comply with new laws or regulations.

The ownership change that occurred as a result of our 2006 exchange offer limits our ability to use our net operating losses.

We have substantial tax loss and credit carry-forwards for U.S. federal income tax purposes. On March 17, 2006, as a result of the closing of its exchange offer, the Company experienced an ownership change as defined under Section 382 of the Internal Revenue Code ("IRC"). This ownership change resulted in an annual IRC Section 382 limitation that limits the use of certain tax attribute carry-forwards. Of the $47.4 million of U.S. federal net loss carry-forwards available to the Company, $21.9 million of the loss carry-forwards are subject to an annual usage limitation of $1.4 million. We believe that such limitations and the loss of these carry-forwards may significantly increase our projected future tax liability.

Certain of our tax positions may be subject to challenge by the Internal Revenue Service and other tax authorities, and if successful, these challenges could increase our future tax liabilities and expense.

For U.S. federal income tax purposes, as well as local country tax purposes in the jurisdictions where we operate, from time to time we take positions under provisions of applicable tax law that are subject to varying interpretations. Certain of our tax positions may be subject to challenge by the applicable taxing authorities, including, in the U.S., the Internal Revenue Service. If our tax positions are successfully challenged, our future tax liabilities and expense could significantly increase.

For example, during 2008, the Company acceded to a position taken by the taxing authorities in the United Kingdom ("UK") regarding the denial of certain goodwill deductions taken on UK tax returns for 2003 through 2005. As a result, foreign net operating loss carry-forwards were reduced by approximately $17.0 million based on December 31, 2008 foreign exchange rates. Accordingly, deferred tax assets of $5.1 million were written off.

While we believe that our tax positions are proper based on applicable law and we believe that it is more likely than not that we would prevail with respect to challenges to these positions, we can make no assurances that we would prevail if our positions are challenged or that business economics would justify the mounting of a legal defense against such challenges. If our tax positions are successfully challenged by the U.S. or non-U.S. taxing authorities, it could increase our future tax liabilities and expense and have a material adverse impact on our financial position, results of operations and cash flows.

Future impairment of goodwill, other intangible assets and long-lived assets would reduce our future earnings.

As of December 31, 2009, the Company's goodwill and other intangible assets totaled $28.7 million. We must perform annual assessments to determine whether some portion, or all, of our goodwill, intangible assets and other long-term assets are impaired. Future annual impairment testing under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, "*Intangibles — Goodwill and Other"* ("FASB ASC 350") could result in a determination that our goodwill or other intangible assets have been impaired, and future annual impairment testing under FASB ASC 350 could result in a determination that our long-lived assets have been impaired. Adverse future changes in the business environment or in our ability to perform audits successfully and compete effectively in our market or the discontinuation of our use of certain of our intangible or other long-lived assets could result in impairment which could materially adversely impact future earnings.

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

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

- a classified Board of Directors;
- the requirement that our shareholders may only remove directors for cause;
- specified requirements for calling special meetings of shareholders; and
- the ability of the Board of Directors to consider the interests of various constituencies, including our employees, clients and creditors and the local community, in making decisions.

Our articles of incorporation also permit the Board of Directors to issue shares of preferred stock with such designations, powers, preferences and rights as it determines, without any further vote or action by our shareholders. In addition, we have in place a "poison pill" shareholders' rights plan that could trigger a dilutive issuance of common stock upon substantial purchases of our common stock by a third party that are not approved by the Board of Directors. These provisions also could discourage bids for our shares of common stock at a premium and have a material adverse effect on the market price of our common stock.

The terms of our credit facility place restrictions on us, which create risks of default and reduce our flexibility.

Our current credit facility (see "New Credit Facility" included in Item 7 of this Form 10-K for information regarding our new credit facility) contains a number of affirmative, negative, and financial covenants which limit our ability to take certain actions and require us to comply with specified financial ratios and other performance covenants. No assurance can be provided that we will not violate the covenants of our secured credit facility in the future. If we are unable to comply with our financial covenants in the future, our lenders could pursue their contractual remedies under the credit facility, including requiring the immediate repayment in full of all amounts outstanding, if any. Additionally, we cannot be certain that, if the lenders demanded immediate repayment of any amounts outstanding, we would be able to secure adequate or timely replacement financing on acceptable terms or at all.

Our ability to make payments due on our debt will depend upon our future operating performance, which is subject to general economic and competitive conditions and to financial, business and other factors, many of which we cannot control. If the cash flow from our operating activities is insufficient, we may take actions such as delaying or reducing capital expenditures, attempting to restructure or refinance our debt, selling assets or operations or seeking additional equity capital. Some or all of these actions may not be sufficient to allow us to service our debt obligations and we could be required to file for bankruptcy. Further, we may be unable to take any of these actions on satisfactory terms, in a timely manner or at all. In addition, our credit agreements may limit our ability to take several of these actions. Our failure to generate sufficient funds to pay our debts or to undertake any of these actions successfully could materially adversely affect our business, results of operations and financial condition.

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

Our common stock is currently traded on The Nasdaq Global Market. The trading price of our common stock has been and may continue to be subject to large fluctuations. For example, for the year ended December 31, 2009, our stock traded as high as $6.98 per share and as low as $2.48 per share. Our stock price may increase or decrease in response to a number of events and factors, including:

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

Fluctuations in the stock market, generally, also impact the volatility of our stock price. Finally, general economic conditions and stock market movements may adversely affect the price of our common stock, regardless of our operating performance.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

The Company's principal executive offices are located in approximately 132,000 square feet of office space in Atlanta, Georgia. The Company leases this space under an agreement expiring on December 31, 2014. The Company has subleased approximately 58,000 square feet of its principal executive office space to independent third parties. The Company's various operating units lease numerous other parcels of operating space in the various countries in which the Company currently conducts its business.

Excluding the lease for the Company's principal executive offices, the majority of the Company's real property leases are individually less than five years in duration. See *Note 9* of "Notes to Consolidated Financial Statements" included in Item 8 of this Form 10-K.

ITEM 3. Legal Proceedings

In the normal course of business, the Company is involved in and subject to claims, contractual disputes and other uncertainties. Management, after reviewing with legal counsel all of these actions and proceedings, believes that the aggregate losses, if any, will not have a material adverse effect on the Company's financial position or results of operations.

ITEM 4. [Reserved]

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock is traded under the symbol "PRGX" on The Nasdaq Global Market (Nasdaq). The Company has not paid cash dividends on its common stock since it became a public company in 1996 and does not intend to pay cash dividends in the foreseeable future. Moreover, restrictive covenants included in the Company's secured credit facility specifically prohibit payment of cash dividends and limits the amount of its common stock that the Company may repurchase to $1.0 million on an annual basis. As of February 28, 2010, there were 211 holders of record of the Company's common stock and management believes there were in excess of 2,500 beneficial holders. The following table sets forth, for the quarters indicated, the range of high and low sales prices for the Company's common stock as reported by Nasdaq during 2009 and 2008.

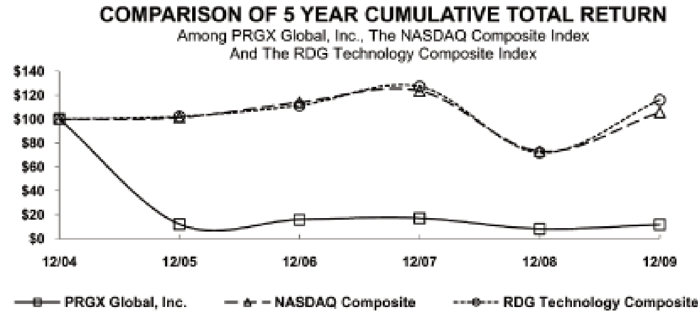
	High	Low
2009 Calendar Quarter		
1st Quarter	$4.91	$2.74
2nd Quarter	4.04	2.48
3rd Quarter	6.01	2.60
4th Quarter	6.98	4.50

	High	Low
2008 Calendar Quarter		
1st Quarter	$ 9.57	$6.77
2nd Quarter	10.72	8.45
3rd Quarter	12.30	8.29
4th Quarter	9.02	3.22

The Company did not repurchase any of its common stock during the quarter ended December 31, 2009.

Performance Graph

Set forth below is a line graph presentation comparing the cumulative shareholder return on the Company's common stock, on an indexed basis, against cumulative total returns of The Nasdaq Composite Index and the RDG Technology Composite Index. The graph assumes that the value of the investment in the common stock in each index was $100 on December 31, 2004 and shows total return on investment for the period beginning December 31, 2004 through December 31, 2009, assuming reinvestment of any dividends. Notwithstanding anything to the contrary set forth in any of the Company's filings under the Securities Act of 1933, or the Securities Exchange Act of 1934 that might incorporate future filings, including this Annual Report on Form 10-K, in whole or in part, the Performance Graph presented below shall not be incorporated by reference into any such filings.



VALUE OF $100 INVESTED ON DECEMBER 31, 2004 AT:

Cumulative Total Return

	12/04	12/05	12/06	12/07	12/08	12/09
PRGX Global, Inc.	**100.00**	**12.13**	**15.90**	**17.04**	**8.11**	**11.75**
NASDAQ Composite	**100.00**	**101.33**	**114.01**	**123.71**	**73.11**	**105.61**
RDG Technology Composite	**100.00**	**102.13**	**111.45**	**127.27**	**71.89**	**115.97**

ITEM 6. Selected Financial Data

The following table sets forth selected consolidated financial data for the Company as of and for the five years ended December 31, 2009. Such historical consolidated financial data have been derived from the Company's Consolidated Financial Statements and Notes thereto, which have been audited by the Company's Independent Registered Public Accounting Firms. The Consolidated Balance Sheets as of December 31, 2009 and 2008, and the related Consolidated Statements of Operations, Shareholders' Equity (Deficit) and Cash Flows for each of the years in the three-year period ended December 31, 2009 and the report of the Independent Registered Public Accounting Firm thereon are included in Item 8 of this Form 10-K.

The Company's Consolidated Financial Statements have been reclassified to reflect Meridian, Communications Services, Channel Revenue, Airline, and the recovery audit services business units in Japan and South Africa as discontinued operations for all periods presented. All per share data has been restated to give effect to the one-for-ten reverse stock split which became effective August 14, 2006.

The data presented below should be read in conjunction with the Consolidated Financial Statements and Notes thereto included elsewhere in this Form 10-K and other financial information appearing elsewhere in this Form 10-K, including "**Management's Discussion and Analysis of Financial Condition and Results of Operations**."

	Years Ended December 31,				
	2009	2008	2007	2006	2005
	(In thousands, except per share data)				
Statements of Operations Data:					
Revenues	$179,583	$ 195,706	$ 227,369	$ 225,898	$ 251,527
Cost of revenues	116,718	125,901	140,877	161,827	167,886
Gross margin	62,865	69,805	86,492	64,071	83,641
Selling, general and administrative expenses (1)	43,873	44,028	67,063	56,500	104,760
Impairment charges (2)	—	—	—	—	170,375
Operational restructuring expense	—	—	1,644	4,130	11,167
Operating income (loss)	18,992	25,777	17,785	3,441	(202,661)
Gain on bargain purchase, net (3)	2,388	—	—	—	—
Interest expense, net	3,025	3,245	13,815	16,311	8,278
Loss on debt extinguishment and financial restructuring	—	—	9,397	10,047	—
Income (loss) from continuing operations before income taxes and discontinued operations	18,355	22,532	(5,427)	(22,917)	(210,939)
Income tax expense (4)	3,028	3,502	1,658	1,165	63
Income (loss) from continuing operations before discontinued operations	15,327	19,030	(7,085)	(24,082)	(211,002)
Discontinued operations:					
Earnings from discontinued operations, net of income taxes	—	—	20,215	2,983	3,262
Net earnings (loss)	$ 15,327	$ 19,030	$ 13,130	$ (21,099)	$(207,740)
Basic earnings (loss) per common share:					
Earnings (loss) from continuing operations before discontinued operations	$ 0.67	$ 0.87	$ (0.62)	$ (3.77)	$ (34.03)
Earnings from discontinued operations	—	—	1.66	0.45	0.53
Net earnings (loss)	$ 0.67	$ 0.87	$ 1.04	$ (3.32)	$ (33.50)
Diluted earnings (loss) per common share:					
Earnings (loss) from continuing operations before discontinued operations	$ 0.65	$ 0.83	$ (0.62)	$ (3.77)	$ (34.03)
Earnings from discontinued operations	—	—	1.66	0.45	0.53
Net earnings (loss)	$ 0.65	$ 0.83	$ 1.04	$ (3.32)	$ (33.50)

	December 31,				
	2009	2008	2007	2006	2005
			(In thousands)		
Balance Sheet Data:					
Cash and cash equivalents	$ 33,026	$26,688	$ 42,364	$ 30,228	$ 8,361
Working capital	18,479	10,512	16,998	5,218	(9,123)
Total assets	110,513	98,783	122,438	178,667	162,062
Long-term debt, excluding current installments	11,070	14,331	38,078	136,922	140,401
Redeemable preferred stock	—	—	—	11,199	—
Total shareholders' equity (deficit)	$ 41,439	$22,710	$ 2,349	$(104,483)	$(102,365)

(1) The Company adopted the provisions of FASB ASC 718, "Compensation — Stock Compensation" ("FASB ASC 718") in 2006 and recognized $3.3 million, $2.2 million, $21.0 million and $6.4 million of stock-based compensation charges during the years ended December 31, 2009, 2008, 2007 and 2006, respectively. See *Note 1(k)* and *Note 14* of "Notes to Consolidated Financial Statements" included in Item 8 of this Form 10-K.

(2) During 2005, the Company recognized impairment charges related to goodwill and intangible assets. See *Note 1(f)* and *Note 7* of "Notes to Consolidated Financial Statements" included in Item 8 of this Form 10-K.

(3) In July 2009, the Company acquired the business and certain assets of First Audit Partners LLP. The excess of the fair value of assets acquired over the purchase price resulted in a gain on bargain purchase. See *Note 17* of "Notes to Consolidated Financial Statements" included in Item 8 of this Form 10-K.

(4) Low effective tax rates in 2009 and 2008 are primarily attributable to reductions in the deferred tax asset valuation allowance. Low effective tax rates in 2007, 2006 and 2005 are primarily attributable to the non-recognition of loss carry-forward benefits. See *Note (h)* and *Note 10* of "Notes to Consolidated Financial Statements" included in Item 8 of this Form 10-K.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The Company conducts its operations through three reportable operating segments: Recovery Audit Services — Americas, Recovery Audit Services — Europe/Asia-Pacific and New Services. The Recovery Audit Services Americas segment represents recovery audit services (other than healthcare recovery audit services) provided in the U.S., Canada and Latin America. The Recovery Audit Services — Europe/Asia-Pacific segment represents recovery audit services (other than healthcare recovery audit services) provided in Europe, Asia and the Pacific region. The New Services segment represents services to healthcare organizations including recovery audit services, business analytics and advisory services. The Company includes the unallocated portion of corporate selling, general and administrative expenses not specifically attributable to the Recovery Audit Services and New Services segments in a segment referred to as corporate support. The Company revised its reportable segments during the fourth quarter of 2009 to reflect the current management and operational structure. Prior to 2009, the Company reported its results under two operating segments — Domestic Accounts Payable Services and International Accounts Payable Services. The presentation of prior years' financial information in this Form 10-K has been restated to conform to the current presentation. See *Note 5* of "Notes to Consolidated Financial Statements" included in Item 8 of this Form 10-K for operating segment disclosures.

The Company's revenues are based on specific contracts with its clients. Such contracts for recovery audit services generally specify: (a) time periods covered by the audit; (b) the nature and extent of services to be provided by the Company; (c) the client's duties in assisting and cooperating with the Company; and (d) fees payable to the Company, generally expressed as a specified percentage of the amounts recovered by the client resulting from overpayment claims identified. Clients generally recover claims by either taking credits against outstanding payables or future purchases from the involved vendors, or receiving refund checks directly from those vendors. The manner in which a claim is recovered by a client is often dictated by industry practice. In addition, many clients establish client-specific procedural guidelines that the Company must satisfy prior to submitting claims for client approval. For some services provided by the Company, such as advisory services, client contracts provide for compensation to the Company in the form of a flat fee, a fee per hour, or a fee per other unit of service.

The vast majority of the Company's recovery audit clients are in the retail industry segment, which the Company believes has been significantly impacted by the recent global economic downturn. The decrease in consumer spending associated with the economic downturn has resulted in many of the Company's clients reducing their purchases from vendors, which makes it more difficult for those clients to offset recovery claims that the Company discovers against current vendor invoices. In addition, many client vendors are experiencing their own financial issues, and the liquidity of these vendors can also negatively impact the claims recovery process. Because the vast majority of the Company's current business is based on such recoveries, these factors may negatively impact the Company's revenues in future periods. Client bankruptcy or insolvency proceedings could also adversely impact the Company's future revenues.

Despite the impact of the recent economic downturn on consumer spending and retailers' purchases from their vendors, the effect on the Company's financial results has generally been delayed, as the Company did not begin to experience any material negative effects from the downturn until the first half of 2009. One factor insulating the Company somewhat from an economic downturn is that the Company's clients are frequently more motivated to use the Company's services to recover prior overpayments to make up for relatively weaker financial performance in their own business operations. Also, the client purchase data on which the Company performs its recovery audit services is historical data, the age of which varies from client to client; however, such data typically reflects transactions between the Company's clients and their vendors that generally took place 3 to 15 months prior to the data being provided to the Company for audit. The fact that the Company's audits typically lag current client spending by up to 15 months has also delayed somewhat the corresponding adverse impact of the recent economic downturn on the Company's revenues.

Given that the data on which the Company performs its recovery audit services is typically 3 to 15 months removed from the actual dates of transactions between the Company's clients and their vendors, the Company expects that it will not begin to recognize increased revenues from recovery auditing in the retail industry as a result of improving economic conditions until well after the positive effects of such improved conditions have been realized by its clients. While the net impact of the recent economic downturn on the Company's recovery audit revenues is difficult to precisely determine or predict, the Company believes that its revenues will remain at a level that will not have a significant adverse impact on the Company's liquidity, and management has taken steps to

mitigate any adverse impact of the economic downturn on the Company's revenues and overall financial health. These steps include limiting salary increases for Company employees and devoting substantial efforts in the development of a lower "cost-to-serve" service model to enable the Company to more cost effectively serve commercial clients in an effort to reduce the Company's dependency on customers in the retail industry. Further, management is working diligently to expand the Company's business beyond its core recovery audit services to retailers, such as the Company's efforts to expand its business analytics and advisory services businesses as discussed above under "Business" included in Item 1 of this Form 10-K.

Another area in which the Company continues to devote considerable effort to expand its business beyond its core accounts payable retail recovery auditing is the Company's work in the healthcare industry. The Company's results in 2006 and 2007, and to a significantly lesser extent in 2008, were affected by its involvement in the demonstration recovery audit contractor ("RAC") program of the Centers for Medicare and Medicaid Services ("CMS"), the federal agency that administers the Medicare program. The demonstration RAC program was designed by CMS to recover Medicare overpayments and identify Medicare underpayments through the use of recovery auditing. CMS awarded the Company a contract to audit Medicare spending in the State of California in 2005 as part of the RAC demonstration program. As a result of the expiration of the Company's RAC demonstration program contract in March 2008, revenues from the auditing of Medicare payments in California made only a small contribution to the Company's overall revenues for the year ended December 31, 2008. There will be no additional revenues to the Company or repayments to CMS relating to the RAC demonstration program.

In late 2006, legislation was enacted that mandated that recovery auditing of Medicare be extended beyond the March 2008 end of the RAC demonstration program and that CMS enter into additional contracts with recovery audit contractors to expand recovery auditing of Medicare spending to all 50 states by January 1, 2010. On February 9, 2009, the Company announced that it had entered into subcontracts with three of the four national RAC program contract awardees. While the magnitude and exact timing of revenues from the Company's participation as a RAC subcontractor is difficult to predict, management currently does not expect to receive any meaningful revenues from its Medicare auditing work until the second half of 2010. In preparation for its work as a RAC subcontractor, the Company has incurred costs primarily relating to staffing and upgrading its technology systems. The Company incurred an operating loss of $4.0 million during the year ended December 31, 2009 related this effort.

CMS is responsible for implementation of the overall national RAC program, and the Company's future revenues from its RAC program subcontracts are heavily dependent on CMS's implementation schedule and priorities, both of which are beyond the Company's control. The national RAC program is still in the early stages of implementation and has experienced delays that make it very difficult to predict the timing of the Company's revenues from this program.

Results of Operations

The following table sets forth the percentage of revenues represented by certain items in the Company's Consolidated Statements of Operations for the periods indicated:

	Years Ended December 31,		
	2009	2008	2007
Statements of Operations Data:			
Revenues	100.0%	100.0%	100.0%
Cost of revenues	65.0	64.3	62.0
Gross margin	35.0	35.7	38.0
Selling, general and administrative expenses	24.4	22.5	29.5
Operational restructuring expenses	—	—	0.7
Operating income	10.6	13.2	7.8
Gain on bargain purchase, net	1.3	—	—
Interest expense, net	1.7	1.7	6.1
Loss on debt extinguishment and financial restructuring	—	—	4.1
Earnings (loss) from continuing operations before income taxes and discontinued operations	10.2	11.5	(2.4)
Income tax expense	1.7	1.8	0.7
Earnings (loss) from continuing operations before discontinued operations	8.5	9.7	(3.1)
Discontinued operations:			
Earnings from discontinued operations, net of income taxes	—	—	8.9
Net earnings	8.5%	9.7%	5.8%

Recovery Audit and New Services

Revenues. Recovery Audit and New Services revenues for the years ended December 31, 2009, 2008 and 2007 were as follows (in millions):

	2009	2008	2007
Recovery Audit Services — Americas	$ 121.6	$ 138.2	$ 143.6
Recovery Audit Services — Europe/Asia-Pacific	52.5	53.6	59.1
New Services	5.5	3.9	24.7
Total	$ 179.6	$ 195.7	$ 227.4

Total revenues for the year ended December 31, 2009 decreased by $16.1 million, or 8.2%, compared to the year ended December 31, 2008. Total revenues for the year ended December 31, 2008 decreased by $31.7 million, or 13.9%, compared to the year ended December 31, 2007.

Recovery Audit Services — Americas revenues decreased by $16.6 million, or 12.0%, in 2009 compared to 2008. Reported revenues were adversely impacted by the strengthening of the U.S. dollar relative to foreign currencies in Canada and Latin America. On a constant dollar basis, adjusted for changes in foreign exchange ("FX") rates, Recovery Audit Services — Americas revenues decreased by 10.4% during 2009 as compared to 2008. Since the vast majority of the Company's recovery audit clients are in the retail industry segment, the Company's operations are subject to the economic pressures the retail industry faces. The recent unfavorable economic conditions which have adversely impacted the U.S. retail industry have negatively impacted the Company's revenues. The liquidity of the Company's clients' vendors can negatively impact claim production, the claim approval process and the ability of the Company's clients to offset or otherwise obtain recoveries from their vendors. Management believes that the year over year decreases in Recovery Audit Services — Americas revenues for the year ended December 31, 2009 are also related to several additional factors, including competitive rate pressures, fewer clients served, the impact of the Company's clients developing and strengthening their own internal audit capabilities as a substitute for the

Company's services and the impact of improved client processes and fewer recurring transaction errors. However, the impact of improved client processes and fewer recurring transaction errors is offset somewhat by the Company's use of best practices and innovation to identify additional audit claim categories and recovery opportunities. Future revenues could be adversely impacted by an increase in retailer bankruptcies resulting from the recent economic downturn. For the year ended December 31, 2008, revenues decreased by $5.4 million or 3.8% compared to 2007. The revenues in 2008 were adversely impacted by a strengthening of the U.S. dollar relative to foreign currencies, particularly in the fourth quarter of 2008. On a constant dollar basis, adjusted for FX rates, Recovery Audit Services — Americas revenues decreased by 3.7% during 2008 compared to 2007. This decrease was primarily attributable to declines in the U.S. revenues due to continued competitive rate pressures, fewer clients served, fewer claims being processed as a result of improved client processes and the impact of the Company's clients developing and strengthening their own internal audit capabilities as a substitute for the Company's services.

Revenues in the Recovery Audit Services — Europe/Asia-Pacific segment for the year ended December 31, 2009 decreased by $1.1 million, or 2.1%, compared to the year ended December 31, 2008. Reported revenues were adversely impacted by the strengthening of the U.S. dollar relative to foreign currencies in Europe, Asia and Australia. On a constant dollar basis, adjusted for changes in FX rates, Recovery Audit Services — Europe/Asia-Pacific revenues increased by 8.5% during 2009 as compared to 2008. These increases are principally attributable to revenues from the acquisition of First Audit Partners LLP ("FAP") in July 2009. Revenues in the Recovery Audit Services — Europe/Asia-Pacific segment for 2008 decreased by $5.5 million, or 9.3% compared to 2007. The reported revenues were adversely impacted by a strengthening of the U.S. dollar relative to foreign currencies, primarily currencies in Europe, particularly in the fourth quarter of 2008. On a constant dollar basis adjusted for FX rates, Recovery Audit Services — Europe/Asia-Pacific revenues decreased by 7.1% during 2008 compared to 2007. The 2008 decline in Recovery Audit Services — Europe/Asia-Pacific revenues (on a FX adjusted basis) was primarily attributable to decreased revenues in Europe which had continued to decline at a rate consistent with the previous several years.

Management believes there is opportunity to increase revenues in its core recovery audit services segments as a result of both market share growth and the growth of the addressable market for such services. Management also believes that the Company has growth opportunities related to the provision of adjacent services in the procure-to-pay value chain and to the CFO suite of its core client base, and from capitalizing on the Company's existing data mining and related competencies. The pursuit of these opportunities will require investments and management believes that without such investments, a reversal of the Company's overall declining revenue trend is not likely. Management intends to execute its strategic initiatives to pursue these opportunities. No assurances can be provided, however, as to when any revenues from these opportunities will be recognized or the magnitude of any such revenues.

New Services revenues for the year ended December 31, 2009 increased by $1.6 million, or 41.0%, compared to the year ended December 31, 2008 but decreased by $20.8 million, or 84%, for 2008 compared to 2007. The 2009 and 2008 New Services revenues primarily consist of advisory services revenues while the 2007 New Services revenues relate almost entirely to the CMS RAC demonstration program. Management expects New Services revenues to significantly increase in 2010 due to increases in advisory services revenues and revenues from entry into analytics services. The Company also expects future revenues from its participation as a subcontractor in three of the Medicare RAC program's four geographic regions. While the magnitude and timing of such revenues is difficult to predict, management currently does not expect to receive any meaningful revenues from Medicare auditing until the second half of 2010.

Cost of Revenues ("COR"). COR consists principally of commissions and other forms of variable compensation paid or payable to the Company's auditors based primarily upon the level of overpayment recoveries and/or profit margins derived therefrom, fixed auditor salaries, compensation paid to various types of hourly support staff, and salaried operational and client service managers for the Company's recovery audit, business analytics and advisory services businesses. Also included in COR are other direct and indirect costs incurred by these personnel, including office rent, travel and entertainment, telephone, utilities, maintenance and supplies, clerical assistance, and depreciation. A significant portion of the components comprising COR is variable and will increase or decrease with increases and decreases in revenues.

COR for the years ended December 31, 2009, 2008 and 2007 was as follows (in millions):

	2009	2008	2007
Recovery Audit Services — Americas	$ 68.0	$ 76.3	$ 84.7
Recovery Audit Services — Europe/Asia-Pacific	40.3	41.3	47.7
New Services	8.4	8.3	8.5
Total	$ 116.7	$ 125.9	$ 140.9

COR as a percentage of revenues for Recovery Audit Services — Americas was 55.9%, 55.2% and 59.0% for the years ended December 31, 2009, 2008 and 2007, respectively. This equates to gross margin percentages of 44.1%, 44.8% and 41.0%, respectively, for the Recovery Audit Services — Americas segment.

For Recovery Audit Services — Americas, the slight increase in COR as a percentage of revenues for 2009 as compared to 2008 was primarily attributed to COR not declining at the same rate the corresponding revenues declined. The dollar and percentage of revenue improvement in Recovery Audit Services — Americas COR for 2008 compared to 2007 was attributable to reductions in indirect costs (principally reduced headcount) and severance charges included in 2007 related to the execution of the Company's optimization strategy to exit smaller less profitable clients.

COR as a percentage of revenues for Recovery Audit Services — Europe/Asia-Pacific was 76.8%, 77.1% and 80.7% for the years ended December 31, 2009, 2008 and 2007, respectively. This equates to gross margin percentages of 23.2%, 22.9% and 19.3%, respectively.

The slight dollar and percentage of revenues improvement for Recovery Audit Services — Europe/Asia-Pacific COR in 2009 primarily resulted from decreased commissions paid to third parties in Europe. The Company closed offices in many countries during 2007, resulting in improved gross margins in 2008 compared to 2007.

The higher COR as a percentage of revenues for Recovery Audit Services — Europe/Asia-Pacific (76.8% for 2009) compared to Recovery Audit Services — Americas (55.9% for 2009) is primarily due to differences in service delivery models, scale and geographic fragmentation. The Recovery Audit Services — Europe/Asia-Pacific segment generally serves fewer clients in each geographic market and generates lower revenues per client than those served by the Company's Recovery Audit Services — Americas segment.

New Services COR in 2009 and 2008 relates entirely to costs of advisory services and the Company's preparation for performance of the CMS RAC program subcontracts. The excess of New Services COR over revenues represents a portion of the Company's investment in the New Services segment. Management expects such investment (COR exceeding revenues) to continue in 2010. New Services COR in 2007 relates primarily to performance in the RAC demonstration program which ended in March 2008.

Selling, General and Administrative Expenses ("SG&A"). SG&A expenses of the Recovery Audit and New Services segments include the expenses of sales and marketing activities, information technology services and allocated corporate data center costs, human resources, legal, accounting, administration, foreign currency transaction gains and losses, gains and losses on assets disposals, depreciation of property and equipment and amortization of intangibles related to the Recovery Audit and New Services segments.

Recovery Audit and New Services SG&A for the years ended December 31, 2009, 2008 and 2007 were as follows (in millions):

	2009	2008	2007
Recovery Audit Services — Americas	$ 17.6	$ 16.7	$ 20.1
Recovery Audit Services — Europe/Asia-Pacific	5.3	8.4	6.4
New Services	1.2	1.9	2.4
Total	$ 24.1	$ 27.0	$ 28.9

Recovery Audit Services — Americas SG&A includes foreign currency transaction gains and losses, including the gains and losses related to intercompany balances. Gains and losses result from the re-translation of the foreign subsidiaries' balances payable to the U.S. parent from their local currency to their U.S. dollar equivalent. Substantial changes from period to period in FX rates may significantly impact the amount of such gains and losses. During the years ended December 31, 2009, 2008 and 2007, Recovery Audit Services — Americas SG&A recognized \$0.4 million, \$0.2 million and \$0.1 million, respectively, of FX gains related to intercompany balances.

Recovery Audit Services — Americas SG&A excluding the FX gains related to intercompany balances, increased 6.5% for the year ended December 31, 2009 compared to 2008. Recovery Audit Services — Americas SG&A, excluding the FX gains related to intercompany balances for the year ended December 31, 2008, decreased by 16.3%, compared to 2007. The increase in 2009 Recovery Audit Services — Americas SG&A, excluding the intercompany FX gains, was primarily a result of costs incurred in connection with the Company's execution of its new strategic initiatives. The decrease in 2008 Recovery Audit Services — Americas SG&A, excluding the intercompany FX gains, as compared to 2007 resulted primarily from headcount reductions and reductions in facilities costs.

Recovery Audit Services — Europe/Asia-Pacific SG&A includes foreign currency transaction gains and losses, including the gains and losses related to intercompany balances. During the years ended December 31, 2009, 2008 and 2007, Recovery Audit Services — Europe/Asia-Pacific SG&A recognized $1.2 million, $(3.5 million) and $1.1 million, respectively, of FX gains (losses) related to intercompany balances.

Recovery Audit Services — Europe/Asia-Pacific SG&A, excluding the FX gains (losses) related to intercompany balances increased 32.7% for the year ended December 31, 2009 compared to 2008. Recovery Audit Services — Europe/Asia-Pacific SG&A, excluding the FX gains (losses) related to intercompany balances, decreased 34.7% for the year ended December 31, 2008 compared to 2007. The increase in 2009 Recovery Audit Services — Europe/Asia-Pacific SG&A, excluding the intercompany FX gains (losses), was attributable to non-intercompany FX losses, severance costs and amortization expense associated with the acquisition of the business and certain assets of FAP, which was completed in July 2009 (see *Note 17* — Business Acquisition in "Notes to Consolidated Financial Statements" in Part II, Item 8 of this Form 10-K). The decrease in 2008 Recovery Audit Services — Europe/Asia-Pacific SG&A, excluding the intercompany FX gains (losses), as compared to 2007 resulted primarily from headcount reductions and the closing or consolidation of offices in numerous countries.

New Services SG&A for the year ended December 31, 2009 decreased by $0.7 million, or 36.8%, compared to 2008. New Services SG&A for the year ended December 31, 2008 decreased by $0.5 million, or 20.8%, compared to 2007. The decreases in 2009 and 2008 are primarily attributable to decreased use of professional services.

Corporate Support

Corporate Support SG&A represents the unallocated portion of SG&A expenses which are not specifically attributable to Recovery Audit Services — Americas, Recovery Audit Services — Europe/Asia-Pacific or New Services and include the expenses of information technology services, the corporate data center, human resources, legal, accounting, treasury, administration and stock-based compensation charges.

Corporate Support SG&A totaled the following for the years ended December 31, 2009, 2008 and 2007 (in millions):

	2009	2008	2007
Selling, general and administrative expenses	$ 19.8	$ 17.0	$ 38.2

Corporate Support SG&A for the years ended December 31, 2009, 2008 and 2007 includes stock-based compensation charges of $3.3 million, $2.2 million and $21.0 million, respectively. The disproportionate 2007 charge for stock-based compensation resulted primarily from the issuance of additional performance units in accordance with the anti-dilution provisions of the 2006 Management Incentive Plan ("2006 MIP") that was negotiated as part of the Company's financial restructuring completed in March 2006. See "***2006 Management Incentive Plan***" below for further details regarding the Company's 2006 MIP.

Corporate Support SG&A, excluding stock-based compensation charges, increased 11.5% for the year ended December 31, 2009 compared to the year ended December 31, 2008. Corporate Support SG&A, excluding stock-based compensation charges, decreased 14.0% for the year ended December 31, 2008 compared to the year ended December 31, 2007. The increase in these costs for 2009 compared to 2008 is attributable to a $0.7 million additional accrual for the settlement of the Fleming Post Confirmation Trust litigation (see *Note 13* — Commitments and Contingencies in "Notes to Consolidated Financial Statements" in Part II, Item 8 of this Form 10-K), severance charges, and increased compensation and recruiting costs associated with hiring a new chief executive officer. The decrease in these costs for 2008 compared to 2007 resulted from reductions in payroll and related taxes and benefits, occupancy costs, insurance, professional fees and other miscellaneous expenses.

Interest Expense and Income

Net interest expense for the years ended December 31, 2009, 2008 and 2007 amounted to $3.0 million, $3.2 million and $13.8 million, respectively. The reductions in net interest expense are directly attributable to the Company's reductions in debt obligations over the past few years. See "Liquidity and Capital Resources **-** *Financing Activities and Interest Expense*" below for additional information related to the Company's interest expense and income.

Loss on Debt Extinguishment

In 2007, the company recorded a $9.4 million charge as a result of debt extinguishments. See "Liquidity and Capital Resources**-** *2007 Financial Restructuring*" below for additional information related to the Company's debt extinguishments.

Income Tax Expense

The Company's reported effective tax rates on earnings (loss) from continuing operations before income taxes and discontinued operations approximated 16.5%, 15.5%, and (30.6)% for the years ended December 31, 2009, 2008 and 2007, respectively. The 2009 and 2008 effective tax rates are less than the expected tax rate primarily due to a reduction in the Company's deferred tax asset valuation allowance. The reflection of tax expense in 2007 in spite of reported losses from continuing operations primarily results from taxes on foreign income and the non-recognition of tax benefits on operating loss carry-forwards through the use of a valuation allowance against deferred tax assets.

For the years ended December 31, 2009, 2008 and 2007, management determined that based on all available evidence, deferred tax asset valuation allowances of $58.3 million, $64.3 million and $79.8 million, respectively, were appropriate as of those dates. The reduction of the allowance during 2008 was partially attributable to a reduction of previously recognized foreign operating loss carry-forwards related to goodwill deductions taken in the United Kingdom ("UK"). During 2008, the Company acceded to a position taken by the taxing authorities in the UK regarding the denial of certain goodwill deductions taken on UK tax returns for 2003 through 2005. As a result, foreign net operating loss carry-forwards were reduced by approximately $17.0 million based on December 31, 2008 FX rates. Accordingly, deferred tax assets of $5.1 million were written off. This reduction in the Company's deferred tax assets was offset by a corresponding reduction in the previously established valuation allowance against these assets.

Additional $5.3 million and $5.7 million reductions in the December 31, 2009 and 2008, respectively, valuation allowance resulted from like reductions in deferred tax assets related to intangible asset amortization deductions for tax purposes related to intangible assets that have been previously written off for financial reporting purposes.

On March 17, 2006, the Company experienced an ownership change as defined under Section 382 of the Internal Revenue Code ("IRC"). This ownership change resulted in an annual IRC Section 382 limitation that mathematically limits the use of certain tax attribute carry-forwards. Of the $47.4 million of U.S. federal loss carry-forwards available to the Company, $21.9 million of the loss carry-forwards are subject to an annual usage limitation of $1.4 million. As of December 31, 2009, the Company had approximately $47.4 million of U.S. federal loss carry-forwards available to reduce future taxable income. The loss carry-forwards expire through 2029.

FASB ASC 740 prescribes a "more-likely-than-not" recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740 also offers guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. In accordance with FASB ASC 740, the Company's policy for recording interest and penalties associated with tax positions is to record such items as a component of income before taxes. As a result of the 2007 implementation of FASB ASC 740, the Company recognized a $0.3 million increase in liability for unrecognized tax benefits, which was accounted for as an increase to the January 1, 2007 accumulated deficit balance.

Discontinued Operations

On May 30, 2007, the Company sold its Meridian VAT reclaim business ("Meridian") to Averio Holdings Limited, a Dublin, Ireland based company affiliated with management of Meridian. The Company received proceeds from the sale of approximately $22.4 million at closing and an additional $2.2 million on December 31, 2007. Meridian had previously been reported as a separate reportable operating segment. Meridian's operating results for 2007 up until the sale date presented in the consolidated financial statements have been reclassified and are included in discontinued operations. The Company recognized a gain on sale during the year ended December 31, 2007 of approximately $19.9 million as a result of the transaction.

Operating income of the discontinued operations for the year ended December 31, 2007 amounted to $0.8 million. Income tax expense of $0.4 million was allocated to earnings from discontinued operations in 2007.

Liquidity and Capital Resources

As of December 31, 2009, the Company had $33.0 million in cash and cash equivalents and no borrowings under the revolver portion of its former credit facility. The revolver had approximately $14.3 million of calculated availability for borrowings.

While management believes that the recent global economic downturn has contributed to a decrease in the revenues that the Company would have otherwise earned in recent periods, this decrease has not resulted in the need for the Company to draw down on its revolving credit facility to fund its operations and has not materially adversely impacted the Company's overall liquidity position. In addition, the Company was in compliance with the covenants in its credit facility as of December 31, 2009 and expects to continue to be in compliance with its new credit facility (see "New Credit Facility" below) for the foreseeable future.

Operating Activities. Net cash provided by operating activities was $18.2 million, $16.7 million and $30.3 million during the years ended December 31, 2009, 2008 and 2007, respectively. The $1.5 million increase in cash provided by operating activities in 2009 compared to 2008 was due to a $6.5 million improvement in the change in operating assets and liabilities from the beginning to the end of the relevant periods, partially offset by lower operating profit. The $6.5 million improvement in the change in operating assets and liabilities in 2009 compared to 2008 was the result of significant payments for long term compensation and severance liabilities in 2008 combined with a significant decrease in the refund liability in 2008 compared to the decrease in 2009. These improvements in cash flow in 2009 were partially offset by significant payments for foreign income taxes, the PCT legal settlement, and other accrued liabilities made during the year ended December 31, 2009. Such changes are itemized in the Company's Consolidated Statements of Cash Flows included in Part II, Item 8 of this Form 10-K.

The $13.6 million decline in cash provided by operating activities in 2008 compared to 2007 was primarily due to lower operating profit in 2008 (after taking into consideration the non-cash impacts of stock-based compensation) combined with a $7.4 million additional use of cash related to changes in operating assets and liabilities in 2008 compared to 2007. The difference in the year to year changes in operating assets and liabilities included a significant decrease in the refund liability in 2008 compared to 2007 and significant reductions in noncurrent compensation obligations and other long-term liabilities during 2008, including a $2.0 million cash distribution under the 2006 MIP.

In addition to capital expenditures, the Company incurred an operating loss of approximately $4.0 million for the year ended December 31, 2009 related to the CMS RAC program. The Company expects a similar loss in 2010.

For the years ended December 31, 2009 and 2008, the Company had one customer, Wal-Mart Stores Inc., that exceeded 10% of the Company's total revenues. The loss of this customer would negatively impact the Company's operating cash flows and would potentially have a material adverse impact on the Company's liquidity.

Investing Activities and Depreciation and Amortization Expense. Depreciation and amortization expense for the years ended December 31, 2009, 2008 and 2007 amounted to $6.1 million, $5.2 million and $6.8 million, respectively. Net cash used for property and equipment capital expenditures was $5.5 million $3.3 million and $4.0 million during the years ended December 31, 2009, 2008 and 2007, respectively. Purchases of property, plant and equipment during 2009, 2008 and 2007 primarily related to investments to upgrade the Company's information technology infrastructure and to prepare for participation in the CMS RAC program.

Capital expenditures are discretionary and management currently expects future capital expenditures to increase over the next several quarters as the Company continues to enhance its healthcare audit systems supporting its performance in the CMS RAC program and other healthcare audits and in preparation and execution of the Company's strategic initiatives discussed above. The Company invested $1.0 million, $0.6 million and $1.0 million, in software development and infrastructure costs related to CMS RAC program in 2009, 2008 and 2007, respectively. Changes in operating plans and results could cause management to alter its capital expenditure plans.

As discussed more fully in *Note 17* — Business Acquisition in "Notes to Consolidated Financial Statements" in Part II, Item 8 of this Form 10-K, in July 2009, the Company acquired the business and certain assets of FAP for a purchase price valued at $5.8 million. The purchase price included an initial cash payment of $1.6 million which was paid in July 2009.

Financing Activities and Interest Expense. Net cash used in financing activities was $5.7 million, $28.0 million and $36.2 million for the years ended December 31, 2009, 2008 and 2007, respectively. During 2009, the Company made mandatory payments totaling $5.0 million on its then existing term loan and reduced its capital lease obligations by $0.3 million.

During 2008, the Company reduced the balance of its term loan by $25.9 million. This amount included $10.9 million of mandatory payments as well as a voluntary prepayment of $15.0 million. In March 2008, the Company completed an amendment of its credit facility, permitting the $15.0 million pre-payment without penalty and increasing the borrowing capacity under the revolver portion of its credit facility by $10 million. The Company also reduced its capital lease obligations by $0.3 million during 2008. In December 2008, the Company repurchased 429,378 shares of its outstanding common stock for $1.7 million.

New Credit Facility

On January 19, 2010, the Company entered into a four-year revolving credit and term loan agreement with SunTrust Bank (“SunTrust”). The SunTrust credit facility consists of a $15.0 million committed revolving credit facility and a $15.0 million term loan. The SunTrust credit facility is guaranteed by the Company and its domestic subsidiaries and secured by substantially all of the assets of the Company. Amounts eligible for borrowing under the SunTrust revolver are based on eligible accounts receivable and other factors. Availability under the SunTrust revolver at January 31, 2010 was $5.7 million.

The principal portion of the SunTrust term loan must be repaid in quarterly installments of $0.8 million each commencing in March 2010. The loan agreement requires mandatory prepayments with the net cash proceeds from certain asset sales, equity offerings and insurance proceeds received by the Company. The loan agreement also requires an additional annual prepayment if excess cash flow as defined in the agreement exceeds a certain threshold. The first of any such excess cash flow payments would be payable in April 2011. The remaining balance of the SunTrust term loan is due in January 2014. As of February 28, 2010, there were no outstanding borrowings under the SunTrust revolver. Interest on both the revolver and term loan are payable monthly and accrues at an index rate using the one-month LIBOR rate, plus an applicable margin as determined by the loan agreement. The applicable interest rate margin varies from 2.25% per annum to 3.5% per annum, dependent on the Company’s consolidated leverage ratio, and is determined in accordance with a pricing grid under the SunTrust loan agreement. The Company also must pay a commitment fee of 0.5% per annum, payable monthly, on the unused portion of the $15.0 million SunTrust revolving credit facility. As of January 31, 2010 the applicable interest rate under the SunTrust credit facility was 2.48%.

The SunTrust credit facility includes customary affirmative, negative, and financial covenants binding on the Company, including delivery of financial statements and other reports, maintenance of existence, and transactions with affiliates. The negative covenants limit the ability of the Company, among other things, to incur debt, incur liens, make investments, sell assets, repurchase shares of it capital stock or declare or pay dividends on its capital stock. The financial covenants included in the SunTrust credit facility, among other things, limit the amount of capital expenditures the Company can make, set forth maximum leverage and net funded debt ratios for the Company and a minimum fixed charge coverage ratio, and also require the Company to maintain minimum consolidated earnings before interest, taxes, depreciation and amortization. In addition, the SunTrust credit facility includes customary events of default.

The Company used substantially all the funds from the SunTrust term loan to repay in full the $14.2 million outstanding under the Ableco term loan.

Management believes that the Company will have sufficient borrowing capacity and cash generated from operations to fund its capital and operational needs for at least the next twelve months.

Former Credit Facility

In September 2007, the Company entered into an amended and restated financing agreement with Ableco consisting of a $20 million revolving credit facility and a $45 million term loan which was funded in October 2007. The principal portion of the $45 million term loan with Ableco required quarterly principal payments of $1.25 million each commencing in April 2008. The loan agreement also required an annual additional payment

contingently payable based on an excess cash flow calculation as defined in the agreement. During 2009, the Company reduced the balance on its term loan by $5.0 million of mandatory payments. During 2008, the Company reduced the balance on its term loan by $25.9 million. This reduction included $10.9 million of mandatory payments as well as a voluntary payment of $15.0 million. During the first quarter of 2008, the Company completed an amendment of its amended and restated financing agreement, permitting the $15.0 million pre-payment without penalty and increasing the initial borrowing capacity under the revolver portion of its facility by $10 million. Certain components of the borrowing availability calculation were reduced over the term of the loan and availability was based on eligible accounts receivable and other factors. Availability under the revolver at December 31, 2009 was $14.3 million. The amended and restated financing agreement was replaced by a new facility in January 2010. See "New Credit Facility" above for more information.

The remaining balance of the term loan was due on September 17, 2011. Interest on the term loan balance was payable monthly and accrued at the Company's option at either prime plus 2.0% or at LIBOR plus 4.75%, but under either option may not be less than 9.75%. Interest on outstanding balances under the revolving credit facility, if any, accrued at the Company's option at either prime plus 0.25% or at LIBOR plus 2.25%. The Company also paid a commitment fee of 0.5% per annum, payable monthly, on the unused portion of the revolving credit facility. As of December 31, 2009, there were no outstanding borrowings under the revolving credit facility. The balance on the term loan as of December 31, 2009 was $14.0 million. The weighted-average interest rates on term loan balances outstanding under the credit facility during 2009 and 2008, including fees, were 11.0% and 10.9%, respectively.

Since the credit facility was replaced in January 2010, the annual additional contingent payment based on 2009 excess cash flow due in April 2010 will not be required.

The credit facility was guaranteed by each of the Company's direct and indirect domestic wholly owned subsidiaries and certain of its foreign subsidiaries and was secured by substantially all of the Company's assets (including the stock of the Company's domestic subsidiaries and two-thirds of the stock of certain of the Company's foreign subsidiaries). The credit facility would have matured on September 17, 2011.

The credit facility included customary affirmative, negative, and financial covenants binding on the Company, including delivery of financial statements and other reports, maintenance of existence, and transactions with affiliates. The negative covenants limited the ability of the Company to, among other things, incur debt, incur liens, sell assets, repurchase shares of its capital stock or declare or pay dividends on its capital stock. The financial covenants included in the credit facility, among other things, limited the amount of capital expenditures the Company could make, set forth a maximum leverage ratio for the Company and a minimum fixed charge coverage ratio, and also required the Company to maintain minimum consolidated earnings before interest, taxes, depreciation and amortization.

2007 Financial Restructuring

During the fall of 2007, the Company undertook a financial restructuring designed to de-leverage the Company's balance sheet and provide it with more financial flexibility. The 2007 restructuring included amending and restating the Company's credit facility and redeeming the Company's 11% senior notes, 10% senior convertible notes and 9% Series A convertible preferred stock. The Company's credit facility with Ableco LLC ("Ableco") was amended and restated to provide the Company with a $20 million revolving credit facility and a $45 million term loan, which was funded in October 2007.

As part of the redemption of its 11% senior notes and its 10% senior convertible notes, the Company solicited consents from the holders of its 11% senior notes and its 10% senior convertible notes to amend the indentures governing the notes to provide for simultaneous redemption of both series and to shorten the redemption period for the notes. The Company paid an aggregate of $0.2 million in consent fees and conversion fees to certain holders in connection with their prior agreements to consent to the amendment to the indenture governing the 11% senior notes and to convert, upon the call for redemption, the 10% senior convertible notes and 9% Series A convertible preferred stock held by such holders. As expected, over 99% of the outstanding 10% senior convertible notes and shares of 9% Series A convertible preferred stock were converted by the holders into shares of the Company's common stock prior to the applicable redemption dates. As a result, only an aggregate of approximately $0.2 million in 10% senior convertible notes and 9% Series A convertible preferred stock were outstanding and redeemed by the Company. The full $51.5 million in principal amount of the 11% senior notes were redeemed by the Company. The Company was also required to pay a $1.0 million prepayment fee to the holders of the 11% senior

notes in connection with the redemption. The Company used the term loan portion of its amended and restated credit facility to supplement the funding of the redemption of the 11% senior notes, the 10% senior convertible notes and the 9% Series A convertible preferred stock.

The face amount of the 11% senior notes redeemed exceeded their carrying amount net of unamortized discount and deferred loan costs by $8.4 million. Such amount, along with a $1.0 million prepayment premium, $9.4 million in total, is reported as a loss on debt extinguishment in the Consolidated Statement of Operations for the year ended December 31, 2007. Unamortized deferred loan costs of $2.1 million related to the 10% senior convertible notes that were converted to common stock were charged to additional paid-in capital in 2007. As a consequence of the prepayment of the $25 million term loan in 2007 and the replacement of the revolving credit facility, the Company wrote-off $1.7 million of unamortized deferred loan costs in 2007. Such amount is included in interest expense in the Consolidated Statement of Operations for the year ended December 31, 2007. The Company incurred approximately $3.1 million of costs in connection with the amended and restated Ableco credit facility. Such amount was capitalized and amortized over the life of the facility.

The aggregate impact of the transactions described above resulted in interest expense of $3.2 million, $4.1 million and $15.1 million for the years ended December 31, 2009, 2008 and 2007. Cash paid for interest during the years ended December 31, 2009, 2008 and 2007 amounted to $1.9 million, $3.2 million and $14.4 million, respectively.

Discontinued Operations

Net cash provided by (used in) the operating activities of discontinued operations was $(2.0 million) during the year ended December 31, 2007. Such cash flows were primarily attributable to the operations of Meridian prior to its sale in May 2007. The sale of Meridian provided net proceeds of $23.2 million in 2007. A substantial portion of such proceeds was required to be used to repay debt under the Company's credit facility.

Stock Repurchase Program

In February 2008, the Board of Directors of the Company approved a stock repurchase program. Under the terms of the program, as extended by the Board of Directors, the Company may repurchase up to $10 million of its common stock from time to time through March 31, 2011. The new credit facility permits the Company to repurchase up to $1.0 million of its common stock annually. For the year ended December 31, 2009, the Company repurchased 78,754 shares at an average price of $3.10 for a total purchase price of approximately $0.2 million. This equates to approximately 0.4% of the then outstanding shares. For the year ended December 31, 2008, the Company repurchased 429,378 shares at an average price of $3.93 for a total purchase price of approximately $1.7 million. This equates to approximately 2% of the then outstanding shares.

Contractual Obligations and Other Commitments

As discussed in "Notes to Consolidated Financial Statements" included in Item 8 of this Form 10-K, the Company has certain contractual obligations and other commitments. A summary of those commitments as of December 31, 2009, adjusted to include the terms of the new credit facility and the Etesius Limited acquisition which occurred subsequent to December 31, 2009, is as follows:

	Payments Due by Period (in thousands)				
Contractual obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt obligations (1)	$ 15,000	$ 3,000	$ 9,000	$ 3,000	$ —
Operating lease obligations	32,193	6,958	19,090	5,822	323
Capital lease obligations (2)	273	273	—	—	—
Cash portions of stock-based compensation (3)	635	424	211	—	—
Purchase price payments to former FAP owners (4)	5,733	2,701	3,032	—	—
Payments to Messrs. Cook and Toma (5)	2,256	1,182	180	894	—
Purchase price payments to Etesius Limited shareholders (6)	4,000	2,800	500	700	—
Severance	1,126	1,126	—	—	—
Total	$ 61,216	$ 18,464	$ 32,013	$ 10,416	$ 323

(1) Represents amounts payable under the Company's new credit facility effective January 19, 2010; excludes variable rate interest (LIBOR plus 2.25% to 3.50% per annum) payable monthly.

(2) Includes interest imputed at 11.3%

(3) Represents the portions of Performance Units outstanding under the 2006 MIP payable in cash. Amounts presented are based on the market price of the Company's common stock at December 31, 2009. Actual payments are due to be made on April 30 of each year and will be based on the market price of the Company's common stock at the settlement dates — see 2006 Management Incentive Plan below.

(4) Represents deferred payments due under the FAP asset purchase agreement — see Acquisitions below. The amounts above include variable consideration which may be due based on cash flows generated by the acquired business over the next four years. The obligations are denominated in British pounds sterling. The U.S. dollar amounts above are based on December 31, 2009 foreign exchange rates.

(5) In connection with the Company's 2006 financial restructuring, required payments to Messrs. Cook and Toma were revised — see Executive Severance Payments below.

(6) Represents deferred payments due under the Etesius Limited share purchase agreement — see Acquisitions below. The above does not include variable consideration which may be due based on the financial performance of certain Company's service lines over the next four years. Management has not completed its analysis of the variable consideration payable.

2006 Management Incentive Plan

At the annual meeting of shareholders held on August 11, 2006, the shareholders of the Company approved a proposal granting authorization to issue up to 2.1 million shares of the Company's common stock under the Company's 2006 Management Incentive Plan ("2006 MIP"). On September 29, 2006, an aggregate of 682,301 Performance Units were awarded under the 2006 MIP to the seven executive officers of the Company. The awards had an aggregate grant date fair value of $4.0 million. At Performance Unit settlement dates (which vary by participant), participants are paid in common stock and in cash. Participants will receive a number of shares of Company common stock equal to 60% of the number of Performance Units being settled, plus a cash payment equal to 40% of the fair market value of that number of shares of common stock equal to the number of Performance Units being settled. The awards were 50% vested at the award date and the remainder of the awards vested ratably over approximately the following eighteen months with the awards fully vesting on March 17, 2008. On March 28, 2007, an additional executive officer of the Company was granted 20,000 Performance Units under the 2006 MIP. The award had a grant date fair value of $0.3 million and was scheduled to vest ratably over four years. The awards contain certain anti-dilution and change of control provisions. Also, the number of Performance Units awarded were automatically adjusted on a pro-rata basis upon the conversion into common stock of the Company's senior convertible notes and Series A convertible preferred stock. During 2007 and 2006, an additional 1,436,484 Performance Units and 122,073 Performance Units, respectively, with aggregate grant date fair values of $24.0 million and $1.6 million, respectively, were granted as a result of this automatic adjustment provision.

All Performance Units must be settled before April 30, 2016. The Company recognized compensation expense (credit) of $(0.2 million), $(0.4 million) and $19.6 million during the years ended December 31, 2009, 2008 and 2007, respectively, related to these 2006 MIP Performance Unit awards, including $17.7 million related to the

automatic adjustments for the year ended December 31, 2007. The 2009 and 2008 compensation credits resulted from the remeasurement of the liability-classified portion of the awards to fair value. The fair value of these awards is based on the market price of the Company's common stock. The amount of compensation expense recognized is based on the assumption that none of the Performance Unit awards will be forfeited.

During 2009, an aggregate of 1,474,129 Performance Units under the 2006 MIP were settled by eight current and former executive officers. These settlements resulted in the issuance of 884,473 shares of common stock and cash payments totaling $1.9 million. As of December 31, 2009, a total of 268,988 Performance Units were outstanding and fully vested under the 2006 MIP.

During 2008, an aggregate of 493,137 Performance Units under the 2006 MIP were settled by six executive officers. These settlements resulted in the issuance of 295,879 shares of common stock and cash payments totaling $2.0 million.

Acquisitions

In July 2009 the Company acquired the business and certain assets of FAP for a purchase price valued at $5.8 million. The purchase price included an initial cash payment of $1.6 million and requires additional deferred payments of $0.8 million paid in January 2010 and a $1.3 million payment in July 2010. Additional variable consideration may also be due based on the operating results generated by the acquired business over the next four years. The Company currently estimates the fair value of variable consideration to be $2.1 million.

In February 2010, the Company acquired all the issued and outstanding capital stock of Etesius Limited, a privately-held European provider of purchasing and payables technologies and spend analytics based in Chelmsford, United Kingdom. The purchase price included an initial cash payment of $2.8 million and additional deferred payments of $1.2 million over four years. Additional variable consideration of up to $3.8 million may also be payable based on the future performance of certain segments of the Company's service lines over the next four years.

Executive Severance Payments

The July 31, 2005 retirements of the Company's former Chairman, President and CEO, John M. Cook, and the Company's former Vice Chairman, John M. Toma, resulted in an obligation to pay retirement benefits of approximately $7.6 million (present value basis) to be paid in monthly cash installments principally over a three-year period, beginning February 1, 2006. On March 16, 2006, the terms of the applicable severance agreements were amended in conjunction with the Company's financial restructuring. Pursuant to the terms of the severance agreements, as amended (1) the Company's obligations to pay monthly cash installments to Mr. Cook and Mr. Toma were extended from 36 months to 58 months and from 24 months to 46 months, respectively; however, the total dollar amount of monthly cash payments to be made to each remained unchanged, and (2) the Company agreed to pay a fixed sum of $150,000 to defray the fees and expenses of the legal counsel and financial advisors to Messrs. Cook and Toma. The original severance agreements, and the severance agreements, as amended, also provide for an annual reimbursement, beginning on or about February 1, 2007, to Mr. Cook and Mr. Toma for the cost of health insurance for themselves and their respective spouses (not to exceed $25,000 and $20,000, respectively, subject to adjustment based on changes in the Consumer Price Index), continuing until each reaches the age of 80. At December 31, 2009, the Company's accrued payroll and related expenses and noncurrent compensation obligations include $1.2 million and $0.8 million, respectively, related to these obligations.

Off Balance Sheet Arrangements

As of December 31, 2009, the Company did not have any material off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of the SEC's Regulation S-K.

Critical Accounting Policies

The Company's significant accounting policies are more fully described in *Note 1* of "Notes to Consolidated Financial Statements" included in Item 8 of this Form 10-K. However, certain of the Company's accounting policies

are particularly important to the portrayal of its financial position and results of operations and require the application of significant judgment by management. As a result, they are subject to an inherent degree of uncertainty. Accounting policies that involve the use of estimates that meet both of the following criteria are considered by management to be "critical" accounting policies. First, the accounting estimate requires the Company to make assumptions about matters that are highly uncertain at the time that the accounting estimate is made. Second, alternative estimates in the current period, or changes in the estimate that are reasonably likely in future periods, would have a material impact on the presentation of the Company's financial condition, changes in financial condition or results of operations.

In addition to estimates that meet the "critical" estimate criteria, the Company also makes many other accounting estimates in preparing its consolidated financial statements and related disclosures. All estimates, whether or not deemed critical, affect reported amounts of assets, liabilities, revenues and expenses, as well as disclosures of contingent assets and liabilities. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, refund liabilities, accounts receivable allowance for doubtful accounts, goodwill and other intangible assets and income taxes. Management bases its estimates and judgments on historical experience, information available prior to the issuance of the consolidated financial statements and on various other factors that are believed to be reasonable under the circumstances. This information forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Materially different results can occur as circumstances change and additional information becomes known, including changes in those estimates not deemed "critical".

Management believes the following critical accounting policies, among others, involve its more significant estimates and judgments used in the preparation of its consolidated financial statements. The development and selection of accounting estimates, including those deemed "critical," and the associated disclosures in this Form 10-K have been discussed with the audit committee of the Board of Directors.

- *Revenue Recognition.* The Company recognizes revenues on the accrual basis except with respect to certain International units where revenues are recognized on the cash basis in accordance with FASB ASC 605 "*Revenue Recognition"*. Revenues are generally recognized for a contractually specified percentage of amounts recovered when it has been determined that our clients have received economic value (generally through credits taken against existing accounts payable due to the involved vendors or refund checks received from those vendors), and when the following criteria are met: (a) persuasive evidence of an arrangement exists; (b) services have been rendered; (c) the fee billed to the client is fixed or determinable; and (d) collectibility is reasonably assured. Additionally, for purposes of determining appropriate timing of recognition and for internal control purposes, the Company relies on customary business practices and processes for documenting that the criteria described in (a) through (d) above have been met. Such customary business practices and processes may vary significantly by client. On occasion, it is possible that a transaction has met all of the revenue recognition criteria described above but revenues are not recognized, unless management can otherwise determine that criteria (a) through (d) above have been met, because the Company's customary business practices and processes specific to that client have not been completed. The determination that each of the aforementioned criteria has been met, particularly the determination of the timing of economic benefit received by the client and the determination that collectibility is reasonably assured, requires the application of significant judgment by management and a misapplication of this judgment could result in inappropriate recognition of revenues.

- *Unbilled Receivables & Refund Liabilities.* Unbilled receivables are usually contractual and relate to claims for which our client has received economic value. Unbilled receivables arise when a portion of the Company's fee is deferred at the time of the initial invoice. At a later date (which can be up to a year after the original invoice, or a year after completion of the audit period), the unbilled receivable amount is invoiced. Notwithstanding the deferred due date, the Company and the client acknowledge that this unbilled receivable has been earned at the time of the original invoice, it just has a deferred due date.

  Refund liabilities result from reductions in the economic value previously received by the Company's clients with respect to vendor claims identified by the Company and for which the Company has previously recognized revenues. Such refund liabilities are recognized by either offsets to amounts otherwise due from clients or by cash refunds to clients. The Company computes the estimate of its refund liabilities at any given time based on actual historical refund data.

Periodic changes in unbilled receivables and refund liabilities are recorded as adjustments to revenues.

During the first quarter of 2008, management revised its estimate of expected refund rates in its Recovery Audit Services — Americas. Such change in estimate resulted from a decline in actual Recovery Audit Services — Americas refund rates observed during 2007. The impact of this change in estimate resulted in a $0.8 million increase in first quarter 2008 income from continuing operations. During the fourth quarter of 2008, management changed its method of estimating the refund liability related to its Recovery Audit Services — Europe/Asia-Pacific segment to be more consistent with the methodology used in the Recovery Audit Services — Americas. The impact of the change in estimate resulted in a $0.9 million decrease in fourth quarter 2008 income from continuing operations. The combined impact of the 2008 refund liability estimate changes was to decrease income from continuing operations by $0.1 million, or less than $0.01 per basic and diluted share. Management does not expect that these changes in estimate will have a material impact on future period results.

- *Goodwill and Other Intangible Assets*. During each of the fourth quarters of 2009, 2008 and 2007, the Company completed the required annual impairment testing of goodwill and other intangible assets in accordance with FASB ASC 350. As a result of this testing, the Company concluded that there was no impairment of goodwill and other intangible assets.

  During the third quarter of 2007, management re-evaluated its policy related to the amortization of its customer relationships intangible asset. The customer relationships intangible asset had been amortized since its acquisition in 2002 using the straight-line method over a twenty year expected life. Management's re-evaluation concluded that the original twenty year life continued to be a reasonable expectation. However, because of the expectation that revenues and profits from these customers will likely decline in future years, management concluded that an accelerated method of amortization of the customer relationships intangible asset would be more appropriate. The accelerated method results in amortization of the net unamortized June 30, 2007 balance over the remaining 14.5 year life at a rate that declines at approximately 8% per year. The Company adopted the new method in the third quarter of 2007 and the resulting change in amortization is being accounted for on a prospective basis in accordance with FASB ASC 350. Amortization expense in 2007 increased by $0.5 million as a result of this change in method.

- *Income Taxes.* The Company's effective tax rate is based on historical and anticipated future taxable income, statutory tax rates and tax planning opportunities available to the Company in the various jurisdictions in which it operates. Significant judgment is required in determining the effective tax rate and in evaluating the Company's tax positions. Tax regulations require items to be included in the tax returns at different times than the items are reflected in the financial statements. As a result, the Company's effective tax rate reflected in its Consolidated Financial Statements included in Item 8 of this Form 10-K is different than that reported in its tax returns. Some of these differences are permanent, such as expenses that are not deductible on the Company's tax returns, and some are temporary differences, such as depreciation expense. Temporary differences create deferred tax assets and liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in the Company's tax returns in future years for which it has already recorded the tax benefit in the statement of operations. The Company establishes valuation allowances to reduce net deferred tax assets to the amounts that it believes are more likely than not to be realized. These valuation allowances are adjusted in light of changing facts and circumstances. Deferred tax liabilities generally represent tax expense recognized in the Company's consolidated financial statements for which payment has been deferred, or expense for which a deduction has already been taken on the Company's tax returns but has not yet been recognized as an expense in its consolidated financial statements.

  FASB ASC 740, "*Income Taxes*", requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. In making this determination, management considers all available positive and negative evidence affecting specific deferred tax assets, including the Company's past and anticipated future performance, the reversal of deferred tax liabilities, the length of carry-back and carry-forward periods, and the implementation of tax planning strategies.

Objective positive evidence is necessary to support a conclusion that a valuation allowance is not needed for all or a portion of deferred tax assets when significant negative evidence exists. Cumulative losses in recent years are the most compelling form of negative evidence considered by management in this determination.

FASB ASC 740 prescribes a "more-likely-than-not" recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also offers guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. In accordance with FASB ASC 740, the Company's policy for recording interest and penalties associated with tax positions is to record such items as a component of income before taxes. As a result of the implementation of FASB ASC 740 in 2007, the Company recognized a $0.3 million increase in liability for unrecognized tax benefits, which was accounted for as an increase to the January 1, 2007 accumulated deficit balance.

- *Stock-Based Compensation.* The Company accounts for stock-based compensation in accordance with the requirements of FASB ASC 718,*"Share Compensation"* ("FASB ASC 718"). FASB ASC 718 requires that companies account for awards of equity instruments issued to employees under the fair value method of accounting and recognize such amounts in their statements of operations. Under FASB ASC 718, the Company is required to measure compensation cost for all stock-based awards at fair value on the date of grant and recognize compensation expense in its consolidated statements of operations over the service period over which the awards are expected to vest. The Company recognizes compensation expense over the indicated vesting periods using the straight-line method.

  The fair value of all time-vested options is estimated as of the date of grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, it is management's opinion that existing models do not necessarily provide a reliable single measure of the fair value of the Company's employee stock options.

  The Company estimates the fair value of awards of restricted shares and nonvested shares, as defined in FASB ASC 718, as being equal to the market value of the common stock on the date of the award. Also, under FASB ASC 718, companies must classify their share-based payments as either liability-classified awards or as equity-classified awards. Liability-classified awards are remeasured to fair value at each balance sheet date until the award is settled. Equity-classified awards are measured at grant date fair value and are not subsequently remeasured. The Company has classified its share-based payments which are settled in Company common stock as equity-classified awards and its share-based payments that are settled in cash as liability-classified awards. Compensation costs related to equity-classified awards are generally equal to the fair value of the award at grant-date amortized over the vesting period of the award. The liability for liability-classified awards is generally equal to the fair value of the award as of the balance sheet date times the percentage vested at the time. The change in the liability amount from one balance sheet date to another is charged (or credited) to compensation cost.

  During the years ended December 31, 2009, 2008 and 2007, stock-based compensation charges aggregated $3.3 million, $2.2 million and $21.0 million, respectively. Stock-based compensation is discussed in more detail in *Note 1(l)* and *Note 14* of "Notes to Consolidated Financial Statements" included in Item 8 of this Form 10-K.

New Accounting Standards

Refer to Note 1 of "Notes to Consolidated Financial Statements" for a discussion of recent accounting standards and pronouncements.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Market Risk. Our reporting currency is the U.S. dollar although we transact business in various foreign locations and currencies. As a result, our financial results could be significantly affected by factors such as changes in foreign currency exchange rates, or weak economic conditions in the foreign markets in which we provide services. Our operating results are exposed to changes in exchange rates between the U.S. dollar and the currencies of the other countries in which we operate. When the U.S. dollar strengthens against other currencies, the value of foreign functional currency revenues decreases. When the U.S. dollar weakens, the value of the foreign functional currency revenues increases. Overall, we are a net receiver of currencies other than the U.S. dollar and, as such, benefit from a weaker dollar. We are therefore adversely affected by a stronger dollar relative to major currencies worldwide. During the year ended December 31, 2009, we recognized $16.7 million of operating income from operations located outside the U.S., virtually all of which was originally accounted for in currencies other than the U.S. dollar. Upon translation into U.S. dollars, such operating income would increase or decrease, assuming a hypothetical 10% change in weighted-average foreign currency exchange rates against the U.S. dollar, by approximately $0.2 million.

Interest Rate Risk. Our interest income and expense are sensitive to changes in the general level of U.S. interest rates. In this regard, changes in U.S. interest rates affect the interest earned on our cash equivalents as well as interest paid on our debt. On January 19, 2010, the Company entered into a four-year revolving credit and term loan agreement with SunTrust. Under the new credit facility, the Company had $5.7 million of calculated borrowing availability under its revolving credit facility and $15.0 million outstanding under a term loan as of January 31, 2010. Interest on both the revolver and term loan are payable monthly and accrued at an index rate using the one-month LIBOR rate, plus an applicable margin as determined by the loan agreement. The applicable interest rate margin varies from 2.25% per annum to 3.5% per annum. There are no borrowings outstanding under the revolving credit facility. However, assuming full utilization of the revolving credit facility, a hypothetical 100 basis point change in interest rates applicable to the revolver would result in an approximate $0.1 million change in annual pre-tax income. A hypothetical 100 basis point change in interest rates applicable to the term loan would result in an approximate $0.2 million change in annual pre-tax income.

Stock-Based Compensation. The Company estimates the fair value of awards of restricted shares and nonvested shares, as defined in FASB ASC 505-50, as being equal to the market value of the common stock. In addition, companies must classify their share-based payments as either liability-classified awards or as equity-classified awards. Liability-classified awards are remeasured to fair value at each balance sheet date until the award is settled. The Company has classified its share-based payments that are settled in cash as liability-classified awards. The liability for liability-classified awards is generally equal to the fair value of the award as of the balance sheet date times the percentage vested at the time. The change in the liability amount from one balance sheet date to another is charged (or credited) to compensation cost. Based on the number of liability-classified awards outstanding as of December 31, 2009, a hypothetical $1.00 change in the market value of the Company's common stock would result in a $0.1 million change in pre-tax income.

ITEM 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
PRGX Global, Inc.
Atlanta, Georgia

We have audited the accompanying consolidated balance sheets of PRGX Global, Inc. and subsidiaries (the Company) as of December 31, 2009 and 2008 and the related consolidated statements of operations, shareholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2009. In connection with our audits of the financial statements, we have also audited the financial statement schedule listed in the accompanying index. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PRGX Global, Inc. and subsidiaries at December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009**,** in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1(h) to the consolidated financial statements, *"Income Taxes"*, the Company changed its method for recognizing and measuring tax positions in 2007 due to the adoption of Financial Accounting Standards Board (FASB) Interpretation No. 48, *"Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109"* (included in FASB Accounting Standards Codification Topic 740).

Atlanta, Georgia /s/ BDO Seidman, LLP

March 29, 2010

PRGX GLOBAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Years Ended December 31,		
	2009	2008	2007
Revenues	$ 179,583	$ 195,706	$ 227,369
Cost of revenues	116,718	125,901	140,877
Gross margin	62,865	69,805	86,492
Selling, general and administrative expenses	43,873	44,028	67,063
Operational restructuring expense (*Note 16))*	—	—	1,644
Operating income	18,992	25,777	17,785
Gain on bargain purchase, net (*Note 17*)	2,388	—	—
Interest expense	(3,229)	(4,090)	(15,071)
Interest income	204	845	1,256
Loss on debt extinguishment *(Note 8)*	—	—	(9,397)
Earnings (loss) from continuing operations before income taxes and discontinued operations	18,355	22,532	(5,427)
Income tax expense *(Note 10)*	3,028	3,502	1,658
Earnings (loss) from continuing operations before discontinued operations	15,327	19,030	(7,085)
Discontinued operations *(Note 2)*:			
Earnings from discontinued operations, net of income tax expense of $408	—	—	347
Gain on sale of discontinued operations	—	—	19,868
Earnings from discontinued operations	—	—	20,215
Net earnings	$ 15,327	$ 19,030	$ 13,130
Basic earnings per common share *(Note 6)*:			
Earnings (loss) from continuing operations before discontinued operations	$ 0.67	$ 0.87	$ (0.62)
Earnings from discontinued operations	—	—	1.66
Net earnings	$ 0.67	$ 0.87	$ 1.04
Diluted earnings per common share *(Note 6)*:			
Earnings (loss) from continuing operations before discontinued operations	$ 0.65	$ 0.83	$ (0.62)
Earnings from discontinued operations	—	—	1.66
Net earnings	$ 0.65	$ 0.83	$ 1.04
Weighted-average common shares outstanding *(Note 6)*:			
Basic	22,915	21,829	12,204
Diluted	23,560	23,008	12,204

See accompanying Notes to Consolidated Financial Statements.

PRGX GLOBAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 31, 2009	December 31, 2008
ASSETS (*Note 8*)		
Current assets:		
Cash and cash equivalents	$ 33,026	$ 26,688
Restricted cash	256	61
Receivables:		
Contract receivables, less allowances of $1,032 in 2009 and $921 in 2008:		
Billed	28,034	28,143
Unbilled	4,481	5,568
	32,515	33,711
Employee advances and miscellaneous receivables, less allowances of $351 in 2009 and $311 in 2008	276	285
Total receivables	32,791	33,996
Prepaid expenses and other current assets	2,306	2,264
Deferred income taxes *(Note 10)*	29	—
Total current assets	68,408	63,009
Property and equipment:		
Computer and other equipment	28,583	24,164
Furniture and fixtures	2,888	2,885
Leasehold improvements	2,975	2,992
	34,446	30,041
Less accumulated depreciation and amortization	(24,443)	(22,140)
Property and equipment, net	10,003	7,901
Goodwill *(Note 7)*	4,600	4,600
Intangible assets, less accumulated amortization of $13,573 in 2009 and $10,932 in 2008 *(Note 7)*	24,104	18,968
Unbilled receivables	1,410	1,789
Deferred loan costs, net of accumulated amortization *(Note 8)*	1,431	2,170
Deferred income taxes *(Note 10)*	253	—
Other assets	304	346
	$ 110,513	$ 98,783
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 15,707	$ 16,275
Accrued payroll and related expenses	19,884	22,536
Refund liabilities	7,467	7,870
Deferred revenues	916	502
Current portions of debt and capital lease obligations *(Note 8)*	3,260	5,314
Business acquisition obligations *(Note 17)*	2,695	—
Total current liabilities	49,929	52,497
Long-term debt and capital lease obligations (*Note 8*)	11,070	14,331
Deferred income taxes *(Note 10)*	—	234
Noncurrent compensation obligations *(Note 13(b))*	978	2,849
Refund liabilities	733	897
Other long-term liabilities	6,364	5,265
Total liabilities	69,074	76,073
Commitments and contingencies *(Notes 3, 8, 9, 12 and 13)*		
Shareholders' equity *(Notes 12 and 14)*:		
Common stock, no par value; $.01 stated value per share. Authorized 50,000,000 shares; 23,272,892 shares issued and outstanding in 2009 and 21,789,645 shares issued and outstanding in 2008	233	218
Additional paid-in capital	562,563	559,359
Accumulated deficit	(524,661)	(539,988)
Accumulated other comprehensive income	3,304	3,121
Total shareholders' equity	41,439	22,710
	$ 110,513	$ 98,783

See accompanying Notes to Consolidated Financial Statements.

PRGX GLOBAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
Years Ended December 31, 2009, 2008 and 2007
(In thousands, except share data)

	Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Treasury	Total Shareholders'	Comprehensive
	Shares	Amount	Capital	Deficit	Income (Loss)	Stock	Equity (Deficit)	Income (Loss)
Balance at December 31, 2006	8,398,770	$ 84	$ 513,920	$ (571,818)	$ 2,041	$ (48,710)	$ (104,483)	
FASB ASC 740 tax liability	—	—	—	(330)	—	—	(330)	
Comprehensive income:								
Net earnings	—	—	—	13,130	—	—	13,130	$ 13,130
Foreign currency translation adjustments	—	—	—	—	2,223	—	2,223	2,223
Comprehensive income								$ 15,353
Issuances of common stock:								
Conversions of Series A preferred stock	4,098,541	41	11,601	—	—	—	11,642	
Conversions of convertible senior notes	9,593,779	96	65,104	—	—	—	65,200	
Stock option exercises	9,000	—	57	—	—	—	57	
Issuance costs of common stock	—	—	(72)	—	—	—	(72)	
Accumulated dividends on preferred stock	—	—	(487)	—	—	—	(487)	
Stock-based compensation expense	—	—	15,469	—	—	—	15,469	
Balance at December 31, 2007	22,100,090	221	605,592	(559,018)	4,264	(48,710)	2,349	
Comprehensive income:								
Net earnings	—	—	—	19,030	—	—	19,030	$ 19,030
Foreign currency translation adjustments	—	—	—	—	(1,143)	—	(1,143)	(1,143)
Comprehensive income								$ 17,887
Issuances of common stock:								
Restricted share awards	399,507	4	(4)	—	—	—	—	
2006 MIP Performance Unit settlements	295,879	3	(3)	—	—	—	—	
Purchase of treasury stock	—	—	—	—	—	(1,687)	(1,687)	
Retirement of treasury stock	(1,005,831)	(10)	(50,387)	—	—	50,397	—	
Stock-based compensation expense	—	—	4,161	—	—	—	4,161	
Balance at December 31, 2008	21,789,645	218	559,359	(539,988)	3,121	—	22,710	
Comprehensive income:								
Net earnings	—	—	—	15,327	—	—	15,327	$ 15,327
Foreign currency translation adjustments	—	—	—	—	183	—	183	183
Comprehensive income								$ 15,510
Issuances of common stock:								
Restricted share awards	817,905	8	(8)	—	—	—	—	
Restricted shares remitted by employees for taxes	—	—	(116)	—	—	—	(116)	
Stock option exercises	9,375	—	26	—	—	—	26	
2006 MIP Performance Unit settlements	884,473	9	(9)	—	—	—	—	
Forfeited restricted share awards	(149,752)	(1)	1	—	—	—	—	
Purchase of treasury stock	—	—	—	—	—	(246)	(246)	
Retirement of treasury stock	(78,754)	(1)	(245)	—	—	246	—	
Stock-based compensation expense	—	—	3,555	—	—	—	3,555	
Balance at December 31, 2009	23,272,892	$ 233	$ 562,563	$ (524,661)	$ 3,304	$ —	$ 41,439	

See accompanying Notes to Consolidated Financial Statements.

PRGX GLOBAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,		
	2009	2008	2007
Cash flows from operating activities:			
Net earnings	$ 15,327	$ 19,030	$ 13,130
Earnings from discontinued operations	—	—	20,215
Earnings (loss) from continuing operations	15,327	19,030	(7,085)
Adjustments to reconcile earnings (loss) from continuing operations to net cash provided by operating activities:			
Loss on debt extinguishment and financial restructuring	—	—	9,397
Impairment charges included in operational restructuring	—	—	344
Gain on bargain purchase, net	(2,388)	—	—
Depreciation and amortization	6,140	5,194	6,769
Amortization of debt discount, premium and deferred loan costs	789	786	3,257
Stock-based compensation expense	3,345	2,207	20,956
Loss on disposals of property, plant and equipment, net	109	101	298
Deferred income taxes	(516)	577	187
Changes in assets and liabilities:			
Restricted cash	(195)	(61)	139
Billed receivables	1,092	423	3,495
Unbilled receivables	1,466	1,155	3,120
Prepaid expenses and other current assets	775	186	(651)
Other assets	55	3	343
Accounts payable and accrued expenses	(2,531)	1,634	(1,047)
Accrued payroll and related expenses	(3,163)	(7,561)	(6,425)
Refund liabilities	(567)	(2,806)	(198)
Deferred revenues	405	(63)	22
Noncurrent compensation obligations	(1,589)	(3,508)	(2,798)
Other long-term liabilities	(388)	(607)	165
Net cash provided by operating activities	18,166	16,690	30,288
Cash flows from investing activities:			
Business acquisition	(2,029)	—	—
Purchases of property and equipment, net of disposal proceeds	(5,511)	(3,298)	(4,002)
Net cash used in investing activities	(7,540)	(3,298)	(4,002)
Cash flows from financing activities:			
Payments on senior and convertible notes	—	—	(52,637)
Repayments of debt	(5,315)	(26,279)	(25,524)
Term loan borrowings	—	—	45,000
Payments for deferred loan costs	(50)	(59)	(2,999)
Repurchases of common stock	(246)	(1,687)	—
Restricted stock remitted by employees for taxes	(116)	—	—
Net proceeds from common stock issuances	—	—	57
Net proceeds from stock option exercises	26	—	—
Preferred stock redemptions	—	—	(44)
Issuance costs on common and preferred stock	—	—	(72)
Net cash used in financing activities	(5,701)	(28,025)	(36,219)
Cash flows from discontinued operations:			
Operating cash flows	—	—	(2,044)
Investing cash flows	—	—	23,151
Net cash provided by discontinued operations	—	—	21,107
Effect of exchange rates on cash and cash equivalents	1,413	(1,043)	962
Net change in cash and cash equivalents	6,338	(15,676)	12,136
Cash and cash equivalents at beginning of year	26,688	42,364	30,228
Cash and cash equivalents at end of year	$ 33,026	$ 26,688	$ 42,364
Supplemental cash flow statement information:			
Cash paid during the year for interest	$ 1,939	$ 3,191	$ 14,388
Cash paid during the year for income taxes, net of refunds received	$ 4,247	$ 2,475	$ 1,029

Deferred and contingent business acquisition consideration (*Note 17*)	$ 4,210	$ —	$ —

See accompanying Notes to Consolidated Financial Statements.

PRGX GLOBAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Description of Business and Basis of Presentation

Description of Business

The principal business of PRGX Global, Inc. and subsidiaries (the "Company") is providing recovery audit services to large businesses and government agencies having numerous payment transactions. These businesses include, but are not limited to:

- retailers such as discount, department, specialty, grocery and drug stores, and wholesalers who sell to these retailers;
- business enterprises other than retailers/wholesalers such as manufacturers, financial services firms, and pharmaceutical companies;
- healthcare payers, both private sector health insurance companies and state and federal government payers such as the Centers for Medicare and Medicaid Services ("CMS"); and
- federal and state government agencies.

The Company currently provides services to clients in over 30 countries.

Basis of Presentation

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Financial statements for all years presented separately report results of discontinued operations from results of continuing operations *(see Note 2).* Disclosures included herein pertain to the Company's continuing operations, unless otherwise noted.

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"). Actual results could differ from those estimates.

(b) Revenue Recognition

The Company's revenues are based on specific contracts with its clients. Such contracts generally specify: (a) time periods covered by the audit; (b) nature and extent of audit services to be provided by the Company; (c) the client's duties in assisting and cooperating with the Company; and (d) fees payable to the Company, generally expressed as a specified percentage of the amounts recovered by the client resulting from overpayment claims identified. Clients generally recover claims by either taking credits against outstanding payables or future purchases from the involved vendors, or receiving refund checks directly from those vendors. The manner in which a claim is recovered by a client is often dictated by industry practice. In addition, many clients establish specific procedural guidelines that the Company must satisfy prior to submitting claims for client approval, and they are unique to each client. For some services provided by the Company, compensation is in the form of a flat fee, a fee per hour, or a fee per other unit of service.

The Company generally recognizes revenues on the accrual basis except with respect to certain immaterial Recovery Audit Services – Europe/Asia-Pacific units. Revenues are generally recognized for a contractually specified percentage of amounts recovered when it has been determined that the Company's clients have received economic value (generally through credits taken against existing accounts payable due to the involved vendors or refund checks received from those vendors) and when the following criteria are met: (a) persuasive evidence of an

arrangement exists; (b) services have been rendered; (c) the fee billed to the client is fixed or determinable and (d) collectibility is reasonably assured. In certain limited circumstances, the Company will invoice a client prior to meeting all four of these criteria; in such cases, revenues are deferred until all of the criteria are met. Additionally, for purposes of determining appropriate timing of recognition and for internal control purposes, the Company relies on customary business practices and processes for documenting that the criteria described in (a) through (d) above, have been met. Such customary business practices and processes may vary significantly by client. On occasion, it is possible that a transaction has met all of the revenue recognition criteria described above but revenues are not recognized, unless management can otherwise determine that criteria (a) through (d) above have been met, because the Company's customary business practices and processes specific to that client have not been completed.

Historically, there has been a certain amount of revenues with respect to which, even though the requirements of the Company's revenue recognition policy were met, the Company's customers' vendors have ultimately rejected the claims underlying the revenues. In that case, the Company's customers, even though fees may have been collected by the Company, may request a refund or offset of such amount. The Company records such refunds as a reduction of revenues. Refund liabilities are provided for these reductions in the economic value previously received by the Company's clients with respect to vendor claims identified by the Company and for which the Company has previously recognized revenues. The Company computes the estimate of its refund liabilities at any given time based on actual historical refund data.

During the first quarter of 2008, management revised its estimation of expected refund rates in its Recovery Audit Services – Americas segment. Such change in estimate resulted from a decline in actual Recovery Audit Services – Americas refund rates observed during 2007. The impact of the change in estimate resulted in a $0.8 million increase in first quarter 2008 income from continuing operations. During the fourth quarter of 2008, management changed its method of estimating the refund liability related to its Recovery Audit Services – Europe/Asia-Pacific segment to be more consistent with the methodology used in the Recovery Audit Services – Americas segment. The impact of the change in estimate resulted in a $0.9 million decrease in fourth quarter 2008 income from continuing operations. The combined impact of the 2008 refund liability estimate changes was to decrease income from continuing operations by $0.1 million, or less than $0.01 per basic and diluted share. Management does not expect that these changes in estimate will have a material impact on future period results.

Unbilled receivables are usually contractual and relate to claims for which clients have received economic value. Unbilled receivables arise when a portion of the Company's fee is deferred at the time of the initial invoice. At a later date (which can be up to a year after original invoice, and at other times a year after completion of the audit period), the unbilled receivable amount is invoiced. Both the Company and the client acknowledge that this unbilled receivable has been earned at the time of the original invoice, it just has a deferred due date.

Periodic changes in unbilled receivables and refund liabilities are recorded as adjustments to revenues.

The Company derives a relatively small portion of revenues on a "fee-for-service" basis whereby billing is based upon a flat fee, a fee per hour, or a fee per other unit of service. The Company recognizes revenues for these types of services as they are provided and invoiced, and when criteria (a) through (d) as set forth above are met.

(c) Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. The Company places its temporary cash investments with high credit quality financial institutions. At times, certain investments may be in excess of the Federal Deposit Insurance Corporation insurance limit.

At December 31, 2009 and 2008, the Company had cash and cash equivalents of $33.0 million and $26.7 million, respectively, of which cash equivalents represent approximately $20.7 million and $23.3 million, respectively. The Company had $17.1 million and $18.5 million in cash equivalents at U.S. banks at December 31, 2009 and 2008, respectively. At December 31, 2009 and 2008, certain of the Company's international subsidiaries held $3.6 million and $4.8 million, respectively, in temporary investments, the majority of which were at banks in Canada and Latin America.

PRGX GLOBAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(d) Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (three years for computer and other equipment, five years for furniture and fixtures and three years for purchased software). Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or ten years.

The Company evaluates property and equipment for impairment in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360-10-35, "*Impairment or Disposal of Long-Lived Assets"* ("FASB ASC 360-10-35"). In accordance with the provisions of FASB ASC 360-10-35, the Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss equal to an amount by which the carrying value exceeds the fair value of assets is recognized.

(e) Internally Developed Software

The Company accounts for software developed for internal use in accordance with FASB ASC 350-40 "*Internal-Use Software"* ("FASB ASC 350-40"). FASB ASC 350-40 provides guidance on a variety of issues relating to costs of internal use software, including which of these costs should be capitalized and which should be expensed as incurred. Internally developed software is amortized using the straight-line method over the expected useful lives of three to seven years.

In accordance with the provisions of FASB ASC 350-40 the Company reviews the carrying value of internally developed software for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss equal to an amount by which the carrying value exceeds the fair value of assets is recognized.

(f) Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the estimated fair market value of net assets of acquired businesses. The Company accounts for goodwill and other intangible assets in accordance with FASB ASC 350, "*Intangibles – Goodwill and Other"* ("FASB ASC 350"). FASB ASC 350 requires that goodwill and intangible assets with indefinite useful lives not be amortized, but instead be tested for impairment at least annually. This Statement also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives and reviewed for impairment in accordance with FASB ASC 360.

Management evaluates the recoverability of goodwill and other intangible assets annually, or more frequently if events or changes in circumstances, such as declines in sales, earnings or cash flows or material adverse changes in the business climate indicate that the carrying value of an asset might be impaired. Goodwill is considered to be impaired when the net book value of a reporting unit exceeds its estimated fair value. The Company uses independent business valuation professionals for the purpose of estimating fair value.

During the third quarter of 2007, management re-evaluated its policy related to the amortization of its customer relationships intangible asset. The customer relationships intangible asset had been amortized since its acquisition in 2002 using the straight-line method over a twenty year expected life. Management's re-evaluation concluded that the original twenty year life continued to be a reasonable expectation. However, because of the expectation that revenues and profits from these customers will likely decline in future years, management concluded that an accelerated method of amortization of the customer relationships intangible asset would be more appropriate. The accelerated method results in amortization of the net unamortized June 30, 2007 balance over the remaining 14.5 year life at a rate that declines at approximately 8% per year. The Company adopted the new method in the third quarter of 2007 and the resulting change in amortization is being accounted for on a

prospective basis in accordance with FASB ASC 350. Amortization expense in 2007 was increased by $0.5 million as a result of the change in method.

(g) Direct Expenses

Direct expenses incurred during the course of recovery audit and delivery of advisory services are typically expensed as incurred.

(h) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on the deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

FASB ASC 740, "*Income Taxes*" ("FASB ASC 740"), requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. In making this determination, management considers all available positive and negative evidence affecting specific deferred tax assets, including the Company's past and anticipated future performance, the reversal of deferred tax liabilities, the length of carry-back and carry-forward periods and the implementation of tax planning strategies. Objective positive evidence is necessary to support a conclusion that a valuation allowance is not needed for all or a portion of deferred tax assets when significant negative evidence exists.

FASB ASC 740 prescribes a "more-likely-than-not" recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740 also offers guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. In accordance with FASB ASC 740, the Company's policy for recording interest and penalties associated with tax positions is to record such items as a component of income before taxes. As a result of the 2007 implementation of FASB Interpretation No. 48 "*Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109*" (now included in FASB ASC 740), the Company recognized a $0.3 million increase in liability for unrecognized tax benefits, which was accounted for as an increase to the January 1, 2007 accumulated deficit balance.

(i) Foreign Currency

The local currency has been used as the functional currency in the majority of the countries in which the Company conducts business outside of the United States. The assets and liabilities denominated in foreign currency are translated into U.S. dollars at the current rates of exchange at the balance sheet date. The translation gains and losses are included as a separate component of shareholders' equity (deficit) and are included in the determination of comprehensive income (loss). Comprehensive income (loss) for the years ended December 31, 2009, 2008 and 2007 included translation gains (losses) related to long-term intercompany balances of $0.2 million, $(0.7 million) and $(0.1 million), respectively. Revenues and expenses in foreign currencies are translated at the weighted average exchange rates for the period. All realized and unrealized foreign currency transaction gains and losses are included in selling, general and administrative expenses. For the years ended December 31, 2009, 2008 and 2007, foreign currency transaction gains (losses) included in selling, general and administrative expenses were $1.6 million, $(1.5 million) and $1.6 million, respectively.

(j) Earnings Per Common Share

The Company applies the provisions of FASB ASC 260, "*Earnings Per Share.*" Basic earnings per common share is computed by dividing net earnings available to common shareholders by the weighted-average number of

shares of common stock outstanding during the year. Diluted earnings per common share is principally computed by dividing net earnings available to common shareholders by the sum of (1) the weighted-average number of shares of common stock outstanding during the period, (2) the dilutive effect of the assumed exercise of stock options using the treasury stock method, and (3) the dilutive effect of other potentially dilutive securities, including the Company's convertible note obligations and convertible preferred stock using the "if-converted" method. The potential dilutive effect of stock options and convertible instruments is excluded from the determination of diluted earnings per share if the effect would be antidilutive.

(k) Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with the requirements of FASB ASC 718,*"Compensation - Stock Compensation"* ("FASB ASC 718"). FASB ASC 718 requires that companies account for awards of equity instruments issued to employees under the fair value method of accounting and recognize such amounts in their statements of operations. The Company adopted FASB ASC 718 on January 1, 2006. Under FASB ASC 718, the Company is required to measure compensation cost for all stock-based awards at fair value on the date of grant and recognize compensation expense in its consolidated statements of operations over the service period over which the awards are expected to vest. The Company recognizes compensation expense over the indicated vesting periods using the straight-line method. The Company recognizes compensation costs for awards with performance conditions based on the probable outcome of the performance conditions. Compensation cost is accrued if it is probable that the performance condition(s) will be achieved and is not accrued if it is not probable that the performance condition(s) will be achieved.

The fair value of all time-vested options is estimated as of the date of grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, it is management's opinion that existing models do not necessarily provide a reliable single measure of the fair value of the Company's employee stock options.

For time-vested option grants made in 2009, 2008 and 2007 which resulted in compensation expense recognition, the Company used the following assumptions in its Black-Scholes valuation models:

	2009	2008	2007
Risk-free interest rates	1.60% - 2.71%	2.37% - 3.08%	4.05% - 4.17%
Dividend yields	—	—	—
Volatility factor of expected market price	.950 - 1.081	.876 - .919	.856 - .889
Weighted-average expected term of option	4 - 5 years	4 - 4.5 years	4 - 4.5 years

The Company estimates the fair value of awards of restricted shares and nonvested shares, as defined in FASB ASC 718, as being equal to the market value of the common stock on the date of the award. Also, under FASB ASC 718, companies must classify their share-based payments as either liability-classified awards or as equity-classified awards. Liability-classified awards are remeasured to fair value at each balance sheet date until the award is settled. Equity-classified awards are measured at grant date fair value and are not subsequently remeasured. The Company has classified its share-based payments which are settled in Company common stock as equity-classified awards and its share-based payments that are settled in cash as liability-classified awards. Compensation costs related to equity-classified awards are generally equal to the fair value of the award at grant-date amortized over the vesting period of the award. The liability for liability-classified awards is generally equal to the fair value of the award as of the balance sheet date times the percentage vested at the time. The change in the liability amount from one balance sheet date to another is charged (or credited) to compensation cost.

(l) Comprehensive Income (Loss)

The Company applies the provisions of FASB ASC 220, "*Comprehensive Income."* This standard establishes items that are required to be recognized under accounting standards as components of comprehensive income (loss). Consolidated comprehensive income (loss) for the Company consists of consolidated net earnings (loss)

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and foreign currency translation, and is presented in the accompanying Consolidated Statements of Shareholders' Equity (Deficit).

(m) Segment Reporting

The Company reports its operating segment information in accordance with the provisions of FASB ASC 280,*"Segment Reporting"* ("FASB ASC 280"). FASB ASC 280 requires, among other provisions, that the Company disclose the measure of profit or loss for each reportable segment that is reported to and used by the chief operating decision maker for purposes of making decisions about allocating resources and assessing performance. Management of the Company, including the chief operating decision maker, uses what is internally referred to as "Adjusted EBITDA" as its primary measure of profit or loss for purposes of assessing the operating performance of all operating segments. Adjusted EBITDA is earnings from continuing operations before interest, taxes, depreciation and amortization ("EBITDA") as adjusted for unusual and other significant items that management views as distorting the operating results of the various segments from period to period.

EBITDA and Adjusted EBITDA are not computed or presented in accordance with generally accepted accounting principles ("GAAP"). Such non-GAAP financial measures do not measure the profit or loss of the reportable segments in accordance with GAAP. FASB ASC 280 requires such non-GAAP measures of profit or loss to be reported if such measures are what are reported to and used by the Company's chief operating decision maker. FASB ASC 280 also requires that the total of the reportable segments' measures of profit or loss be reconciled to the Company's operating results presented on a GAAP basis. Such reconciliation is provided in *Note 5* to these consolidated financial statements along with other information about the Company's reportable segments. The reconciling items are not intended to be, nor should they be, interpreted as non-recurring or extraordinary, or in any manner be deemed as adjustments made in accordance with GAAP. Because Adjusted EBITDA is not a financial measure determined in accordance with GAAP, it may not be comparable to other similarly titled measures of other companies.

The Company revised its reportable operating segments during the fourth quarter of 2009 to reflect the current management and operational structure. See*Note 5* below.

(n) New Accounting Standards

FASB ASC 105-10-65. In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 168, *"The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles"*("SFAS No. 168" and "FASB ASC 105-10-65"). The FASB Accounting Standards Codification ("ASC") has become the source of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The ASC supersedes all existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the ASC has become nonauthoritative. Following this statement, the FASB will not issue new standards in the form of statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates ("ASU"). ASU will serve only to update the ASC, provide background information about the guidance, and provide the bases for conclusions on the changes in the ASC. In conjunction with the adoption by the Company of FASB ASC 105-10-65 effective September 30, 2009, all references to accounting standards issued prior to SFAS No. 168 have been amended to additionally reflect the corresponding ASC topic.

FASB ASC 260-10-45. In June 2008, the FASB issued Staff Position No. EITF 03-6-1,*"Determining Whether Instruments Granted in Share-Based Transactions Are Participating Securities"* ("FSP EITF 03-6-1" and "FASB ASC 260-10-45"). FASB ASC 260-10-45 requires that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) be accounted for as participating securities and should be included in the computation of earnings per share. The adoption by the Company of FASB ASC 260-10-45 effective January 1, 2009 did not have any material impact on the Company's consolidated financial statements.

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FASB ASC 470-20. In May 2008, the FASB issued Staff Position No. APB 14-1, *"Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)"* ("FSP APB 14-1" and "FASB ASC 470-20"). FASB ASC 470-20 requires that the liability and equity components of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) be separately accounted for in a manner that reflects an issuer's nonconvertible debt borrowing rate. The resulting debt discount is amortized over the period the convertible debt is expected to be outstanding as additional non-cash interest expense. Upon adoption, the provisions of FASB ASC 470-20 are required to be applied retrospectively to all periods presented. The adoption by the Company of FASB ASC 470-20 effective January 1, 2009 did not have any material impact on the Company's consolidated financial statements.

FASB ASC 805. In December 2007 the FASB issued SFAS No. 141 (revised 2007), *"Business Combinations"* ("SFAS No. 141(R)" and "FASB ASC 805"). FASB ASC 805 establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in an acquiree; recognizes and measures the goodwill acquired in a business combination or a gain from a bargain purchase; determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a business combination; and requires that costs associated with business combinations be expensed as incurred. The adoption by the Company of FASB ASC 805 effective January 1, 2009 did not have any material impact on the Company's consolidated financial statements except as described in *Note 17* below.

FASB ASC 810-10-25. In June 2009, the FASB issued SFAS No. 167, *"Amendments to FASB Interpretation No. 46(R)"* ("SFAS No. 167" and "FASB ASC 810-10-25"), which amends FASB Interpretation No. 46(R) to require an analysis to determine whether a variable interest gives a company a controlling financial interest in a variable interest entity and requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. This statement is effective for fiscal years beginning after November 15, 2009. The Company has not determined the impact, if any, FASB ASC 810-10-25 will have on its future financial statements.

FASB ASC 810-10-65. In December 2007, the FASB issued SFAS No. 160, *"Noncontrolling Interests in Consolidated Financial Statements"* ("SFAS No. 160" and "FASB ASC 810-10-65"). FASB ASC 810-10-65 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. FASB ASC 810-10-65 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the noncontrolling equity investment on the deconsolidation date. FASB ASC 810-10-65 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. The adoption by the Company of FASB ASC 810-10-65 effective January 1, 2009 did not have any material impact on the Company's consolidated financial statements.

FASB ASC 815. In March 2008, the FASB issued SFAS No. 161, *"Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133"* ("SFAS No. 161" and "FASB ASC 815"), which requires additional disclosures about the objectives of derivative instruments and hedging activities, the method of accounting for such instruments under SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities"* and its related interpretations, and a tabular disclosure of the effects of such instruments and related hedged items on a company's financial position, financial performance, and cash flows. The adoption by the Company of FASB ASC 815 effective January 1, 2009 did not have any material impact on the Company's consolidated financial statements.

FASB ASC 855. In May 2009, the FASB issued SFAS No. 165, *"Subsequent Events"* ("SFAS No. 165" and "FASB ASC 855"), which establishes principles and requirements regarding the reporting of subsequent events. The Company adopted FASB ASC 855 effective June 30, 2009.

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FASB ASC 860. In June 2009, the FASB issued SFAS No. 166,*"Accounting for Transfers of Financial Assets, an amendment of SFAS No. 140"*("SFAS No. 166" and "FASB ASC 860"), which eliminates the exceptions for qualifying special-purpose entities from the consolidation guidance in FASB ASC 860, changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity's continuing involvement in and exposure to the risks related to transferred financial assets. This statement is effective for fiscal years beginning after November 15, 2009 and for transfers occurring on or after the effective date. The Company has not determined the impact, if any, FASB ASC 860 will have on its future financial statements.

(2) DISCONTINUED OPERATIONS

On May 30, 2007, the Company sold its Meridian VAT reclaim business ("Meridian") to Averio Holdings Limited, a Dublin, Ireland based company affiliated with management of Meridian. The Company received proceeds from the sale of approximately $22.4 million at closing and an additional $2.2 million on December 31, 2007. The Company recognized a gain on sale of approximately $19.9 million in 2007 as a result of the transaction. The Meridian gain did not result in the recognition of significant tax expense since it was recognized in a tax-favored jurisdiction.

Operating results of the discontinued operations up until the sale of Meridian for the three years ended December 31, 2009, 2008 and 2007 are summarized below (in thousands).

	Years Ended December 31,		
	2009	2008	2007
Revenues	$ —	$ —	$ 17,386
Operating income	$ —	$ —	$ 755

Income tax expense of $0.4 million was allocated to earnings from discontinued operations in 2007.

(3) RETIREMENT OBLIGATIONS

The July 31, 2005 retirements of the Company's former Chairman, President and CEO, John M. Cook, and the Company's former Vice Chairman, John M. Toma, resulted in an obligation to pay retirement benefits of approximately $7.6 million (present value basis) to be paid in monthly cash installments principally over a three-year period, beginning February 1, 2006. On March 16, 2006, the terms of the applicable severance agreements were amended in conjunction with the Company's financial restructuring. Pursuant to the terms of the severance agreements, as amended (1) the Company's obligations to pay monthly cash installments to Mr. Cook and Mr. Toma were extended from 36 months to 58 months and from 24 months to 46 months, respectively; however, the total dollar amount of monthly cash payments to be made to each remained unchanged, and (2) the Company agreed to pay a fixed sum of $150,000 to defray the fees and expenses of the legal counsel and financial advisors to Messrs. Cook and Toma. The original severance agreements, and the severance agreements, as amended, also provide for an annual reimbursement, beginning on or about February 1, 2007, to Mr. Cook and Mr. Toma for the cost of health insurance for themselves and their respective spouses (not to exceed $25,000 and $20,000, respectively, subject to adjustment based on changes in the Consumer Price Index), continuing until each reaches the age of 80. At December 31, 2009, accrued payroll and related expenses included $1.2 million and noncurrent compensation obligations included an additional $0.8 million related to these obligations.

(4) MAJOR CLIENTS

For the years ended December 31, 2009 and 2008, Wal-Mart Stores Inc. (and its affiliated companies) accounted for approximately 12.3% and 11.2%, respectively, of total revenues from continuing operations. The Company did not have any clients who individually provided revenues in excess of 10.0% of total revenues from continuing operations during the year ended December 31, 2007.

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(5) OPERATING SEGMENTS AND RELATED INFORMATION

The Company conducts its operations through three reportable operating segments: Recovery Audit Services – Americas, Recovery Audit Services – Europe/Asia-Pacific and New Services. The Recovery Audit Services Americas segment represents recovery audit services (other than healthcare recovery audit services) provided in the U.S., Canada and Latin America. The Recovery Audit Services — Europe/Asia-Pacific segment represents recovery audit services (other than healthcare recovery audit services) provided in Europe, Asia and the Pacific region. The New Services segment represents services to healthcare organizations including recovery audit services, business analytics and advisory services. The Company includes the unallocated portion of corporate selling, general and administrative expenses not specifically attributable to the Recovery Audit Services and New Services segments in a segment referred to as corporate support. The Company revised its reportable segments during the fourth quarter of 2009 to reflect the current management and operational structure. Prior to 2009, the Company reported its results under two operating segments – Domestic Accounts Payable Services and International Accounts Payable Services. The presentation of prior years' financial information in this Form 10-K has been restated to conform to the current presentation.

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Management evaluates the performance of its operating segments based upon revenues and measures of profit or loss it refers to as EBITDA and adjusted EBITDA. Adjusted EBITDA is earnings from continuing operations before interest, taxes, depreciation and amortization ("EBITDA") as adjusted for unusual and other significant items that management views as distorting the operating results of the various segments from period to period. Adjustments include restructuring charges, stock-based compensation, bargain purchase gains, intangible asset impairment charges, litigation settlements, severance charges and foreign currency gains and losses on intercompany balances viewed by management as individually or collectively significant. The Company does not have any inter-segment revenues. Segment information for the years ended December 31, 2009, 2008 and 2007 and segment asset information as of December 31, 2009 and 2008 (in thousands) is presented below:

	Recovery Audit Services– Americas	Recovery Audit Services – Europe/Asia-Pacific	New Services	Corporate Support	Total
2009					
Revenues	$121,561	$ 52,489	$ 5,533	$ —	$179,583
Earnings (loss) from continuing operations before discontinued operations	$ 36,013	$ 9,055	$ (4,017)	$ (25,724)	$ 15,327
Income taxes	—	—	—	3,028	3,028
Interest, net	(99)	184	—	2,940	3,025
Depreciation and amortization expense	4,798	911	431	—	6,140
EBITDA	$ 40,712	$ 10,150	$ (3,586)	$ (19,756)	$ 27,520
Foreign currency gains on intercompany balances	(360)	(1,235)	—	—	(1,595)
Litigation settlement	—	—	—	650	650
Stock-based compensation	—	—	—	3,345	3,345
Gain on bargain purchase, net	—	(2,388)	—	—	(2,388)
Adjusted EBITDA	$ 40,352	$ 6,527	$ (3,586)	$ (15,761)	$ 27,532
Capital expenditures, net of disposals	$ 4,281	$ 266	$ 964	$ —	$ 5,511
Allocated assets	$ 47,263	$ 21,421	$ 2,814	$ —	$ 71,498
Unallocated assets:					
Cash and cash equivalents	—	—	—	33,026	33,026
Restricted cash	—	—	—	256	256
Deferred loan costs	—	—	—	1,431	1,431
Deferred income taxes	—	—	—	282	282
Prepaid expenses and other assets	—	—	—	4,020	4,020
Total assets	$ 47,263	$ 21,421	$ 2,814	$ 39,015	$110,513

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	Recovery Audit Services – Americas	Recovery Audit Services – Europe/Asia-Pacific	New Services	Corporate Support	Total
2008					
Revenues	$138,168	$ 53,600	$ 3,938	$ —	$195,706
Earnings (loss) from continuing operations before discontinued operations	$ 45,305	$ 3,900	$ (6,222)	$ (23,953)	$ 19,030
Income taxes	—	—	—	3,502	3,502
Interest, net	(178)	(45)	—	3,468	3,245
Depreciation and amortization expense	4,657	308	229	—	5,194
EBITDA	49,784	4,163	(5,993)	(16,983)	30,971
Foreign currency (gains) losses on intercompany balances	(181)	3,464	—	—	3,283
Stock-based compensation	—	—	—	2,207	2,207
Adjusted EBITDA	$ 49,603	$ 7,627	$ (5,993)	$ (14,776)	$ 36,461
Capital expenditures, net of disposals	2,441	302	555	$ —	$ 3,298
Allocated assets	$ 51,184	$ 13,150	$ 1,130	$ —	$ 65,464
Unallocated assets:					
Cash and cash equivalents	—	—	—	26,688	26,688
Restricted cash	—	—	—	61	61
Deferred loan costs	—	—	—	2,170	2,170
Prepaid expenses and other assets	—	—	—	4,400	4,400
Total assets	$ 51,184	$ 13,150	$ 1,130	$ 33,319	$ 98,783
2007					
Revenues	$143,568	$ 59,055	$ 24,746	$ —	$227,369
Earnings (loss) from continuing operations before discontinued operations	$ 39,274	$ 5,070	$ 13,926	$ (65,355)	$ (7,085)
Income taxes	—	—	—	1,658	1,658
Interest, net	(666)	(21)	—	14,502	13,815
Loss on financial restructuring	—	—	—	9,397	9,397
Depreciation and amortization expense	5,999	742	28	—	6,769
EBITDA	$ 44,607	$ 5,791	$ 13,954	$ (39,798)	$ 24,554
Operational restructuring expenses	—	—	—	1,644	1,644
Foreign currency gains on intercompany balances	(130)	(1,022)	—	—	(1,152)
Stock-based compensation	—	—	—	20,956	20,956
Adjusted EBITDA	$ 44,477	$ 4,769	$ 13,954	$ (17,198)	$ 46,002
Capital expenditures, net of disposals	$ 2,400	$ 594	$ 1,008	$ —	$ 4,002

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The following table presents revenues by country based on the location of clients served (in thousands):

	2009	2008	2007
United States	$ 97,141	$ 111,954	$ 140,388
United Kingdom	25,111	26,556	30,548
Canada	20,560	21,099	18,707
France	12,055	11,438	12,084
Mexico	3,740	4,697	5,225
Spain	2,547	3,319	3,270
Brazil	4,320	3,339	3,211
Germany	1,224	2,445	2,459
Australia	1,424	1,113	2,428
Sweden	2,158	2,459	1,806
Belgium	2,186	885	1,089
Other	7,117	6,402	6,154
	$ 179,583	$ 195,706	$ 227,369

The following table presents long-lived assets by country based on the location of the asset (in thousands):

	2009	2008
United States	$ 31,678	$ 32,424
United Kingdom	7,701	554
All Other	1,063	1,007
	$ 40,442	$ 33,985

For the years ended December 31, 2009 and 2008, Wal-Mart Stores Inc. (and its affiliated companies) accounted for approximately 12.3% and 11.2% of the Company's total revenues, respectively. The Company did not have any clients who individually provided revenues in excess of 10.0% of total revenues from continuing operations during the year ended December 31, 2007. Such revenues are located primarily in the Recovery Audit Services – Americas Segment.

(6) EARNINGS PER COMMON SHARE

The following tables set forth the computations of basic and diluted earnings per common share for the three years ended December 31, 2009, 2008 and 2007 (in thousands, except per share data). For the year ended December 31, 2007, the impact of all potentially dilutive securities is antidilutive, thus diluted weighted average common shares and diluted earnings per common share presented are the same as basic weighted average common shares and basic earnings per common share.

	2009	2008	2007
Basic earnings per common share:			
Numerator for earnings per common share calculations:			
Earnings (loss) from continuing operations before discontinued operations	$ 15,327	$ 19,030	$ (7,085)
Preferred dividends	—	—	(487)
Earnings (loss) for purposes of computing basic earnings per common share from continuing operations	15,327	19,030	(7,572)
Earnings from discontinued operations	—	—	20,215
Earnings for purposes of computing basic net earnings per common share	$ 15,327	$ 19,030	$ 12,643

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	2009	2008	2007
Denominator:			
Denominator for basic earnings per common share – weighted-average common shares outstanding	22,915	21,829	12,204
Basic earnings per common share:			
Earnings (loss) from continuing operations before discontinued operations	$ 0.67	$ 0.87	$ (0.62)
Earnings from discontinued operations	—	—	1.66
Net earnings	$ 0.67	$ 0.87	$ 1.04

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	2009	2008	2007
Diluted earnings per common share:			
Numerator for earnings per common share calculations:			
Earnings (loss) from continuing operations before discontinued operations	$ 15,327	$ 19,030	$ (7,085)
Preferred dividends	—	—	(487)
Earnings (loss) for purposes of computing diluted earnings per common share from continuing operations	15,327	19,030	(7,572)
Earnings from discontinued operations	—	—	20,215
Earnings for purposes of computing diluted net earnings per common share	$ 15,327	$ 19,030	$ 12,643
Denominator:			
Denominator for basic earnings per common share – weighted-average common shares outstanding	22,915	21,829	12,204
Incremental shares from stock-based compensation plans	645	1,179	—
Denominator for diluted earnings per common share	23,560	23,008	12,204
Diluted earnings per common share:			
Earnings (loss) from continuing operations before discontinued operations	$ 0.65	$ 0.83	$ (0.62)
Earnings from discontinued operations	—	—	1.66
Net earnings	$ 0.65	$ 0.83	$ 1.04

For the years ended December 31, 2009, 2008 and 2007, options to purchase 1.2 million shares, 1.0 million shares and 1.0 million shares of common stock, respectively, were excluded from the computation of diluted earnings per common share due to their antidilutive effect as the options' exercise prices were greater than the average market price of the common shares during the periods. For the year ended December 31, 2007, common shares of 1.4 million underlying Performance Units *(Note 14)* outstanding, respectively, were excluded from the computation of diluted earnings per common share due to their antidilutive effect to earnings per common share from continuing operations.

(7) GOODWILL AND OTHER INTANGIBLE ASSETS

(a) Goodwill

FASB ASC 350 requires that goodwill and intangible assets with indefinite useful lives not be amortized, but instead be tested for impairment at least annually. The Company has selected October 1, the first day of its fourth quarter, as its annual assessment date. FASB ASC 350 requires that the Company perform goodwill impairment testing using a prescribed two-step, fair value approach.

During each of the fourth quarters of 2009, 2008 and 2007, the Company performed the required annual impairment testing of goodwill in accordance with FASB ASC 350. As a result of these tests, the Company concluded that there was no impairment of goodwill as of those dates.

All of the goodwill balances for all periods presented relate to the Company's Recovery Audit Services – Americas segment.

Goodwill is comprised of gross goodwill of $203.1 million less total accumulated impairment losses of $198.5 million resulting in reported goodwill of $4.6 million. For the years ended December 31, 2009 and 2008, there were no changes in the Company's reported goodwill balances.

(b) Other Intangible Assets

The Company's other intangible assets were acquired as part of the January 24, 2002 acquisition of the businesses of Howard Schultz & Associates International, Inc. and affiliates and the July 16, 2009 acquisition of First Audit Partners LLP ("FAP"). Intangible assets associated with the FAP acquisition are denominated in British Pounds Sterling and are subject to movements in foreign currency rates. The amounts below are presented in United States dollars utilizing foreign currency exchange rates as of December 31, 2009. Intangible assets consist of the following at December 31, 2009 and 2008 (in thousands):

	Estimated Useful Life	December 31, 2009	December 31, 2008
Amortized intangible assets:			
Customer relationships:	6-20 years		
Gross carrying amount		$ 34,181	$ 27,700
Accumulated amortization		(13,454)	(10,932)
Net carrying amount		20,727	16,768
Trademarks:	6 years		
Gross carrying amount		523	—
Accumulated amortization		(40)	—
Net carrying amount		483	—
Non-compete agreements:	4.5 years		
Gross carrying amount		773	—
Accumulated amortization		(79)	—
Net carrying amount		694	—
Unamortized intangible assets:			
Trade name	Indefinite	2,200	2,200
Total intangible assets		$ 24,104	$ 18,968

The provisions of FASB ASC 350 require that the Company review the carrying value of intangible assets with indefinite useful lives for impairment annually or whenever events and circumstances indicate that the

carrying value of an asset may not be recoverable from the estimated discounted future cash flows expected to result from its use and eventual disposition. At the time of adoption of FASB ASC 350, the Company selected October 1, the first day of its fourth quarter, as its annual assessment date.

During each of the fourth quarters of 2009, 2008 and 2007, the Company performed the required annual impairment testing of its trade name in accordance with FASB ASC 350. As of January 21, 2010, the Company changed its trade name from PRG-Schultz International, Inc. to PRGX Global, Inc. and will no longer actively use the previous trade name. However, the Company will maintain the legal rights to the former name to prevent other companies from using that name. The Company's previous trade name intangible asset will be amortized over six years beginning in January 2010. Management's evaluation concluded that the six year life was a reasonable estimate of expected useful life.

During the third quarter of 2007, management re-evaluated its policy related to the amortization of its customer relationships intangible asset. The customer relationships intangible asset had been amortized since its acquisition in 2002 using the straight-line method over a twenty year expected life. Management's re-evaluation concluded that the original twenty year life continued to be a reasonable expectation. However, because of the expectation that revenues and profits from these customers will likely decline in future years, management concluded that an accelerated method of amortization of the customer relationships intangible asset would be more appropriate. The accelerated method results in amortization of the net unamortized June 30, 2007 balance over the remaining 14.5 year life at a rate that declines at approximately 8% per year. The Company adopted the new method in the third quarter of 2007 and the resulting change in amortization is being accounted for on a prospective basis in accordance with FASB ASC 350. Amortization expense in 2007 was increased by $0.5 million ($0.04 per weighted-average common share) as a result of the change in method. Amortization of intangible assets amounted to $2.6 million, $2.2 million and $1.9 million per year for the years ended December 31, 2009, 2008 and 2007, respectively. Based on the current amortization method, intangible asset amortization expense for each consecutive year for the next five years will be $3.8 million, $3.6 million, $3.5 million, $3.4 million and $3.0 million, respectively.

(8) DEBT, CAPITAL LEASES AND MANDATORILY REDEEMABLE PARTICIPATING PREFERRED STOCK

2006 Financial Restructuring

On March 17, 2006, the Company completed an exchange offer (the "Exchange Offer") for its $125 million of 4.75% Convertible Subordinated Notes due 2006 (the "Convertible Subordinated Notes"). As a result of the Exchange Offer, substantially all of the outstanding Convertible Subordinated Notes and accrued interest thereon were exchanged for (a) $51.5 million in principal amount of 11.0% Senior Notes Due 2011, (b) $59.6 million in principal amount of 10.0% Senior Convertible Notes Due 2011, and (c) 124,094 shares, or $14.9 million liquidation preference, of 9.0% Series A Convertible Participating Preferred Stock. The $0.9 million of Convertible Subordinated Notes that were not exchanged were redeemed in November 2006.

The new instruments issued in the exchange were initially recorded at their estimated fair values. Information regarding these estimated fair values is as follows ($ in thousands):

	11% Senior Notes	10% Senior Convertible Notes	9% Series A Preferred Stock
Imputed borrowing rates used for valuation	16%	17%	18%
Fair values of cash flows based on imputed rates	$ 42,795	$ 42,891	$ 10,109
Fair values of conversion features	—	21,993	16,777
Total estimated fair value	42,795	64,884	26,886
Face value of instruments issued	51,455	59,566	14,891
Excess of face value over fair value	$ 8,660		
Excess of fair value over face value		$ 5,318	$ 11,995

The aggregate fair value of the new instruments issued exceeded the book value of the exchanged Convertible Subordinated Notes by approximately $10 million. Such amount was recognized as a loss on financial restructuring in the first quarter of 2006. The Company incurred $1.3 million of costs related to the issuance of the new preferred stock. Such amount was charged to additional paid-in capital in the first quarter of 2006. The Company incurred costs of $5.1 million in connection with the issuance of the new senior notes and senior convertible notes. Such amount was capitalized and was being amortized over the term of the notes.

The excess of the fair value of the preferred stock over its stated liquidation (redemption) value was credited to additional paid-in capital. The excess of the principal balance of the new senior notes over their fair value was recorded as a note discount and was being amortized on the interest method over the term of the notes. The excess of the fair value of the new senior convertible notes over their principal balance was recorded as a note premium and was being amortized on the interest method over the term of the notes.

As a part of its financial restructuring in March 2006, the Company entered into a senior secured credit facility with Ableco LLC ("Ableco") and The CIT/Group/Business Credit, Inc. The credit facility included (1) a $25.0 million term loan, and (2) a revolving credit facility that provided for revolving loan borrowings of up to $20.0 million. The Company incurred $2.6 million of costs in connection with entering into the senior secured credit facility. Such amount was capitalized and was being amortized over the term of the indebtedness.

On September 15, 2006, the Company issued $2.9 million of additional senior convertible notes in lieu of the semiannual cash interest payment thereon. As of December 31, 2006, 37,030 shares of Series A convertible preferred stock had been converted into 1,618,995 shares of common stock.

2007 Repayments, Conversions, Redemptions and New Credit Facility

During the first quarter of 2007, the Company repaid $9.6 million of the $25 million Ableco term loan. During the second quarter of 2007, the Company repaid the remaining $15.4 million balance of the term loan with a portion of the proceeds of the Meridian sale.

In September 2007, the Company initiated the redemption of all of the then outstanding 11% senior notes, 10% senior convertible notes and 9% Series A convertible preferred stock. In September 2007, the Company also entered into an amended and restated credit facility with Ableco consisting of a $20 million revolving credit facility and a $45 million term loan which was funded in October 2007.

During 2007, prior to redemption, 86,744 shares of Series A convertible preferred stock were converted into 4,098,541 shares of common stock and $62.4 million in principal value of the 10% senior convertible notes were converted into 9,593,779 shares of common stock. In addition, during October 2007, the $51.5 million in principal value of 11% senior notes were fully redeemed, along with a $1.0 million prepayment premium. The remaining outstanding 10% senior convertible notes and 9% Series A convertible preferred stock which totaled less than $0.2 million were also redeemed. The redemptions were funded with a portion of the Company's unrestricted funds and the proceeds of the Ableco $45 million term loan.

The face amount of the 11% senior notes redeemed exceeded their carrying amount net of unamortized discount and deferred loan costs by $8.4 million. Such amount, along with the $1.0 million prepayment premium, $9.4 million in total, is reported as a loss on debt extinguishment in the 2007 Consolidated Statement of Operations. Unamortized deferred loan costs of $2.1 million related to the senior convertible notes that were converted to common shares were charged to additional paid-in capital in 2007.

Activity related to the senior notes and senior convertible notes during the year ended December 31, 2007 is summarized as follows (in thousands):

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	11% Senior Notes	10% Senior Convertible Notes
Carrying value December 31, 2006	$ 43,796	$ 68,030
Amortization of discount (premium)	1,016	(853)
Carrying value of notes converted into common stock prior to redemption (Face value of $62,360)	—	(67,015)
Carrying value of notes redeemed in October 2007	(44,812)	(162)
Balance December 31, 2007	$ —	$ —

Activity related to the Series A preferred stock during the year ended December 31, 2007 is summarized as follows (in thousands):

	9% Series A Preferred Stock
Liquidation value at December 31, 2006 (accrual basis)	$ 11,199
Accumulated dividends (accrual basis)	487
Liquidation value of preferred shares converted to common shares prior to redemption	(11,642)
Liquidation value of preferred shares redeemed in October 2007	(44)
Balance at December 31, 2007	$ —

As a consequence of the early repayment of the $25 million Ableco term loan in 2007 and the replacement of the revolving credit facility, the Company wrote-off $1.7 million of unamortized deferred loan costs in 2007. Such amount is included in 2007 interest expense. The Company incurred approximately $3.1 million of costs in connection with its entry into the amended and restated Ableco credit facility in September 2007. Such amount has been capitalized and is being amortized over the life of the facility.

2008 and 2009 Repayments

During 2008, the Company reduced the balance of the Ableco term loan by $25.9 million. This amount included $10.9 million of mandatory payments, including contingent payments (see below), as well as a voluntary prepayment of $15.0 million. During the first quarter of 2008, the Company completed an amendment of its credit facility, permitting the $15.0 million pre-payment without penalty and increasing the initial borrowing capacity under the revolver portion of the facility by $10 million. Certain components of the borrowing availability calculation were reduced over the term of the loan and availability was based on eligible accounts receivable and other factors.

During 2009, the Company paid the required quarterly payments and reduced the balance on its term loan by $5.0 million. In March 2009, the Company entered into the second amendment of its credit facility, lowering certain of the debt covenant thresholds through March 10, 2010 and revising the borrowing base calculation. The borrowing availability calculation was modified for the remaining term of the credit facility. Availability was based on eligible accounts receivable and other factors.

The Ableco term loan required quarterly principal payments of $1.25 million commencing in April 2008. The loan agreement also required an annual additional prepayment contingently payable based on an excess cash flow calculation as defined in the agreement. The first such payment was made in April 2008. The Company was not required to make an excess cash flow payment in 2009. Since the credit facility was replaced in January 2010, the annual additional contingent payment based on 2009 excess cash flow due in April 2010 will not be required. The remaining balance of the Ableco term loan was due in September 2011. Interest was payable monthly and accrued at the Company’s option at either prime plus 2.0% or at LIBOR plus 4.75%, but under either option could not have been less than 9.75%. Interest on outstanding balances under the revolving credit facility, if any, accrued at the Company’s option at either prime plus 0.25% or at LIBOR plus 2.25%. The Company also paid a commitment fee of 0.5% per annum, payable monthly, on the unused portion of the $22.5 million Ableco revolving credit facility. As of December 31, 2009, there were no outstanding borrowings under the Ableco revolving credit

facility. The weighted-average interest rates on term loan balances outstanding under the Ableco credit facility during 2009, 2008 and 2007, including fees, were 11.3%, 10.9% and 10.3%, respectively. The Ableco credit facility was guaranteed by each of the Company's direct and indirect domestic wholly owned subsidiaries and certain of its foreign subsidiaries and is secured by substantially all of the Company's assets (including the stock of the Company's domestic subsidiaries and two-thirds of the stock of certain of the Company's foreign subsidiaries). The Ableco credit facility would have matured on September 17, 2011.

2010 New Credit Facility

On January 19, 2010, the Company entered into a four-year revolving credit and term loan agreement with SunTrust Bank ("SunTrust"). The SunTrust credit facility consists of a $15.0 million committed revolving credit facility and a $15.0 million term loan. The SunTrust credit facility is guaranteed by the Company and its domestic subsidiaries and secured by substantially all of the assets of the Company. Availability under the SunTrust revolver is based on eligible accounts receivable and other factors.

The principal portion of the SunTrust term loan must be repaid in quarterly installments of $0.8 million each commencing in March 2010. The loan agreement requires mandatory prepayments with the net cash proceeds from certain asset sales, equity offerings and insurance proceeds received by the Company. The loan agreement also requires an annual additional prepayment contingently payable based on an excess cash flow calculation as defined in the agreement. The first such payment is payable in April 2011. The remaining balance of the SunTrust term loan is due in January 2014. As of February 28, 2010, there were no outstanding borrowings under the SunTrust revolver. Interest on both the revolver and term loan are payable monthly and accrued at an index rate using the one-month LIBOR rate, plus an applicable margin as determined by the loan agreement. The applicable interest rate margin varies from 2.25% per annum to 3.5% per annum, dependent on the Company's consolidated leverage ratio, and is determined in accordance with a pricing grid under the SunTrust loan agreement. The Company also must pay a commitment fee of 0.5% per annum, payable monthly, on the unused portion of the $15.0 million SunTrust revolving credit facility.

The Company used substantially all the funds from the SunTrust term loan to prepay in full the $14.2 million outstanding under the Ableco term loan. No draw under the SunTrust revolver was necessary in connection with the prepayment and termination of the Ableco term loan.

Capital Lease Obligation

In November 2006, the Company entered into a capital lease agreement for the use of copier equipment to be used throughout its domestic locations. The agreement requires 36 monthly payments which began November 1, 2007. Payments over the four year life of the agreement aggregate $1.1 million. The present value of payments remaining as of December 31, 2009 is $0.3 million using an imputed interest rate of 11.3%.

Future Minimum Payments

Minimum principal payments on the Company's debt, adjusted for the new credit facility entered into in January 2010, and capital lease obligations for each of the next five years and thereafter are as follows (in thousands):

Year Ending December 31,	
2010	$ 3,260
2011	3,000
2012	3,000
2013	3,000
2014	3,000
Thereafter	—
	$ 15,260

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(9) LEASE COMMITMENTS

The Company is committed under noncancelable lease arrangements for facilities and equipment. Rent expense, excluding costs associated with the termination of noncancelable lease arrangements, for 2009, 2008 and 2007, was $6.0 million, $6.9 million and $8.0 million, respectively.

FASB ASC 420, "*Exit or Disposal Cost Obligations*" ("FASB ASC 420"), requires that a liability for costs to terminate a contract before the end of its term be recognized and measured at its fair value when the entity terminates the contract in accordance with the contract terms. The Company incurred approximately $1.2 million in 2007 in termination costs of noncancelable lease arrangements. The Company recognized a corresponding liability for the fair value of the remaining lease rentals, reduced by any estimable sublease rentals that could be reasonably obtained for the properties. This liability is reduced ratably over the remaining term of the cancelled lease arrangements as cash payments are made. Accretion related to discounting is included in rent expense.

The Company has entered into several operating lease agreements that contain provisions for future rent increases, free rent periods or periods in which rent payments are reduced (abated). In accordance with FASB ASC 840-20, "*Operating Leases*", the total amount of rental payments due over the lease term is being charged to rent expense on the straight-line, undiscounted method over the lease terms.

In November 2006, the Company entered into a capital lease agreement for the use of copier equipment to be used throughout its domestic locations. The agreement requires 36 monthly payments which began on November 1, 2007.

The future minimum lease payments under noncancelable operating and capital leases are summarized as follows (in thousands):

Year Ending December 31,	Operating Leases	Capital Leases
2010	$ 6,958	$ 273
2011	6,442	—
2012	6,446	—
2013	6,202	—
2014	5,822	—
Thereafter	323	—
Total payments	$ 32,193	273
Less amounts representing interest		(13)
Principal balance at December 31, 2009		$ 260

(10) INCOME TAXES

Income taxes have been provided in accordance with FASB ASC 740, "*Income Taxes*" ("FASC ASC 740"). Total income tax expense for the years ended December 31, 2009, 2008 and 2007 was allocated as follows (in thousands):

	2009	2008	2007
Earnings (loss) from continuing operations	$ 3,028	$ 3,502	$ 1,658
Earnings (loss) from discontinued operations	—	—	408
Effect of cumulative translation adjustment	—	—	—
	$ 3,028	$ 3,502	$ 2,066

Earnings (loss) before income taxes from continuing operations for the years ended December 31, 2009, 2008 and 2007 relate to the following jurisdictions (in thousands):

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	2009	2008	2007
United States	$ 4,369	$ 18,300	$ (9,775)
Foreign	13,986	4,232	4,348
	$ 18,355	$ 22,532	$ (5,427)

The provision for income taxes attributable to continuing operations for the years ended December 31, 2009, 2008 and 2007 consists of the following (in thousands):

	2009	2008	2007
Current:			
Federal	$ 40	$ (130)	$ 130
State	85	—	—
Foreign	3,419	3,055	1,341
	3,544	2,925	1,471
Deferred:			
Federal	—	130	(130)
State	—	—	—
Foreign	(516)	447	317
	(516)	577	187
Total	$ 3,028	$ 3,502	$ 1,658

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The significant differences between the U.S. federal statutory tax rate and the Company's effective tax expense (benefit) for earnings (loss) from continuing operations (in thousands) for the years ended December 31, 2009, 2008 and 2007 are summarized as follows:

	2009	2008	2007
Statutory federal income tax rate	$ 6,424	$ 7,886	$ (1,899)
State income taxes, net of federal benefit	90	362	(571)
Change in deferred tax asset valuation allowance	(6,093)	(13,058)	239
First Audit Partners acquisition – basis difference	668	—	—
Foreign loss carry-forward adjustment	—	5,115	—
Loss on extinguishment of debt	—	—	2,325
Foreign taxes	586	1,930	1,207
Compensation deduction limitation	1,104	—	—
Other, net	249	1,267	357
	$ 3,028	$ 3,502	$ 1,658

The tax effects of temporary differences and carry-forwards that give rise to deferred tax assets and liabilities as of December 31, 2009 and 2008 consist of the following (in thousands):

	2009	2008
Deferred income tax assets:		
Accounts payable and accrued expenses	$ 2,165	$ 2,582
Accrued payroll and related expenses	3,052	2,967
Stock — based compensation	8,060	9,507
Depreciation	3,482	2,744
Noncompete agreements	122	341
Unbilled receivables and refund liabilities	1,426	1,147
Foreign operating loss carry-forwards of foreign subsidiary	2,071	2,842
Federal operating loss carry-forwards	16,597	14,981
Intangible assets	23,832	29,103
State operating loss carry-forwards	2,624	2,665
Other	4,003	4,134
Gross deferred tax assets	67,434	73,013
Less valuation allowance	58,304	64,307
Gross deferred tax assets net of valuation allowance	9,130	8,706
Deferred income tax liabilities:		
Intangible assets	7,340	7,293
Capitalized software	1,206	1,204
Other	303	443
Gross deferred tax liabilities	8,849	8,940
Net deferred tax assets (liabilities)	$ 281	$ (234)

FASB ASC 740 requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. In making this determination, management considers all available positive and negative evidence affecting specific deferred tax assets, including the Company's past and anticipated future performance, the reversal of deferred tax liabilities, the length of carry-back and carry-forward periods and the implementation of tax planning strategies.

Objective positive evidence is necessary to support a conclusion that a valuation allowance is not needed for all or a portion of deferred tax assets when significant negative evidence exists. Cumulative tax losses in recent years are the most compelling form of negative evidence considered by management in this determination. For the year ended December 31, 2009, management has determined that based on all available evidence, a valuation allowance of $58.3 million is appropriate, as compared to a valuation allowance in the amount of $64.3 million as of the year ended December 31, 2008.

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As of December 31, 2009, the Company had approximately $47.4 million of U.S. federal loss carry-forwards available to reduce future U.S. federal taxable income. The federal loss carry-forwards expire through 2029. As of December 31, 2009, the Company had approximately $67.3 million of state loss carry-forwards available to reduce future state taxable income. The state loss carry-forwards expire to varying degrees between 2014 and 2029 and are subject to certain limitations.

On March 17, 2006, the Company experienced an ownership change as defined under Section 382 of the Internal Revenue Code ("IRC"). This ownership change resulted in an annual IRC Section 382 limitation that limits the use of certain tax attribute carry-forwards. Of the $47.4 million of U.S. federal loss carry-forwards available to the Company, $21.9 million of the loss carry-forwards are subject to an annual usage limitation of $1.4 million.

During 2008, the Company acceded to a position taken by the taxing authorities in the United Kingdom ("UK") regarding the denial of certain goodwill deductions taken on UK tax returns for 2003 through 2005. As a result, foreign net operating loss carry-forwards were reduced by approximately $17.0 million based on December 31, 2008 foreign exchange rates. Accordingly, deferred tax assets of $5.1 million were written off. This reduction in the Company's deferred tax assets was offset by a corresponding reduction in the previously established valuation allowance against these assets.

FASB ASC 740 prescribes a "more-likely-than-not" recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740 also offers guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. In accordance with FASB ASC 740, the Company's policy for recording interest and penalties associated with tax positions is to record such items as a component of income before taxes.

The Company recognized interest expense of $0.3 million related to the liability for unrecognized tax benefits in each of the two years ended December 31, 2009 and 2008. The interest expense associated with the liability for unrecognized tax benefits is included as a component of income before taxes. The Company had approximately $1.5 million and $1.2 million accrued for the payment of interest related to the liability for unrecognized tax benefits as of December 31, 2009, and 2008, respectively.

The Company files U.S., state, and foreign income tax returns in jurisdictions with varying statutes of limitations. As of December 31, 2009, the 2006 through 2009 tax years generally remain subject to examination by federal and most state and foreign tax authorities. The use of net operating losses generated in tax years prior to 2006 may also subject returns for those years to examination.

The Company has an unrecognized tax benefit of $1.8 million as of December 31, 2009, 2008 and 2007. There have been no additions or reductions to this amount for the years ended December 31, 2009, 2008 and 2007.

(11) EMPLOYEE BENEFIT PLANS

The Company maintains a 401(k) Plan in accordance with Section 401(k) of the Internal Revenue Code, which allows eligible participating employees to defer receipt of up to 50% of their annual compensation and contribute such amount to one or more investment funds. Employee contributions are matched by the Company in a discretionary amount to be determined by the Company each plan year up to the lesser of 6% of an employee's annual compensation or $3,000 per participant. The Company may also make additional discretionary contributions to the Plan as determined by the Company each plan year. Company matching funds and discretionary contributions vest at the rate of 20% each year beginning after the participants' first year of service. Company contributions for continuing and discontinued operations were approximately $1.0 million in 2009, $1.0 million in 2008 and $0.8 million in 2007.

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The Company maintained deferred compensation arrangements for certain key officers and executives prior to 2007. Total expense related to these deferred compensation arrangements was less than $0.1 million in 2007. Net payments related to these deferred compensation arrangements were approximately $0.9 million in 2007. As of December 31, 2009 and 2008, there were no remaining balances related to these deferred compensation arrangements.

(12) SHAREHOLDER RIGHTS PLAN

On August 1, 2000, the Board authorized a shareholder protection rights plan designed to protect Company shareholders from coercive or unfair takeover techniques through the use of a Shareholder Protection Rights Agreement approved by the Board (the “Rights Plan”). The terms of the Rights Plan, as amended, provide for a dividend of one right (collectively, the “Rights”) to purchase a fraction of a share of participating preferred stock for each share owned. This dividend was declared for each share of common stock outstanding at the close of business on August 14, 2000. The Rights, which expire on August 14, 2010, may be exercised only if certain conditions are met, such as the acquisition (or the announcement of a tender offer, the consummation of which would result in the acquisition) of 15% or more of the Company’s common stock by a person or affiliated group in a transaction that is not approved by the Board. Issuance of the Rights does not affect the finances of the Company, interfere with the Company’s operations or business plans, or affect earnings per share. The dividend was not taxable to the Company or its shareholders and did not change the way in which the Company’s shares may be traded.

Effective July 31, 2000, in connection with the Rights Plan, the Board amended the Company’s Articles of Incorporation to establish a new class of stock, the participating preferred stock. The Company’s remaining, undesignated preferred stock (1 million shares authorized as of December 31, 2009) may be issued at any time or from time to time in one or more series with such designations, powers, preferences, rights, qualifications, limitations and restrictions (including dividend, conversion and voting rights) as may be determined by the Board, without any further votes or action by the shareholders.

(13) COMMITMENTS AND CONTINGENCIES

Legal Proceedings

On April 1, 2003, Fleming Companies (“Fleming”), one of the Company’s larger U.S. recovery audit services clients at the time filed for Chapter 11 bankruptcy reorganization. During the quarter ended March 31, 2003, the Company received approximately $5.6 million in payments on account from Fleming. On January 24, 2005, the Company received a demand from the Fleming Post Confirmation Trust (“PCT”), a trust which was created pursuant to Fleming’s Chapter 11 reorganization plan to represent the client, for preference payments received by the Company. The demand stated that the PCT’s calculation of the preference payments was approximately $2.9 million. The Company disputed the claim. Later in 2005, the PCT filed suit against the Company seeking to recover approximately $5.6 million in payments that were made to the Company by Fleming during the 90 days preceding Fleming’s bankruptcy filing, and that were alleged to be avoidable either as preferences or fraudulent transfers under the Bankruptcy Code.

On July 29, 2009, the Company entered into a settlement agreement in connection with the PCT lawsuit. Under the terms of the settlement agreement, the Company paid the PCT $1.7 million to resolve all claims made by the PCT in the litigation. In connection with the settlement, the Company also agreed to dismiss all proofs of claim it may have against Fleming in connection with the bankruptcy. Selling, general and administrative expenses for the year ended December 31, 2009 includes a charge of $0.7 million related to the settlement with the PCT for amounts not previously accrued.

In the normal course of business, the Company is involved in and subject to other claims, disputes and uncertainties. Management, after reviewing with legal counsel all of such matters, believes that the aggregate losses, if any, related to such matters will not have a material adverse effect on the Company’s financial position or results of operations.

(14) STOCK-BASED COMPENSATION

The Company currently has three stock-based compensation plans under which awards have been granted: (1) the Stock Incentive Plan ("SIP"), (2) the 2006 Management Incentive Plan ("2006 MIP"), and (3) the 2008 Equity Incentive Plan ("2008 EIP").

The SIP, as amended, authorized the grant of options or other stock-based awards, with respect to up to 1,237,500 shares of the Company's common stock to key employees, directors, consultants and advisors. The majority of options granted pursuant to the SIP had five to seven year terms and vested and became fully exercisable on a ratable basis over one to five years of continued employment or service. The SIP expired in June 2008.

During the first quarter of 2008, the Board of Directors of the Company adopted the 2008 EIP, which was approved by the shareholders at the annual meeting of the shareholders on May 29, 2008. The 2008 EIP authorizes the grant of incentive and non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and other incentive awards. Two million shares of the Company's common stock have been reserved for issuance under the 2008 EIP pursuant to award grants to key employees, directors and service providers. The options granted pursuant to the 2008 EIP have seven year terms.

PRGX GLOBAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes stock option grants during the years ended December 31, 2009, 2008 and 2007:

	# of Options Granted	Vesting Period	Weighted Average Exercise Price	Grant Date Fair Value
2009				
	296,296	4 years (1)	$ 3.57	$ 763,529
	42,730	1 year (2)	2.82	88,011
	505,755	3 years (3)	2.92	1,088,334
2008				
	60,135	1 year (4)	9.87	393,722
	211,460	3 years (3)	9.51	1,338,330
2007				
	104,346	1 year (5)	12.89	881,275
	514,500	3 years (6)	13.54	4,659,363

(1) During the first quarter of 2009, in connection with his joining the Company as its President and Chief Executive Officer, the Company made inducement grants outside its existing stock-based compensation plans to Mr. Romil Bahl. Mr. Bahl received an option to purchase 296,296 shares of the common stock of the Company. Mr. Bahl's options were granted in two tranches, the first of which consists of 111,111 shares that vest in four equal annual installments beginning in January 2010. The second tranche consists of 185,185 shares and vests 50% on each of the second and fourth anniversaries of the grant date.

(2) Non-qualified stock options were granted under the 2008 EIP to the Company's five non-employee directors. The options vest in full upon the earlier of (i) May 26, 2010, and (ii) the date of, and immediately prior to, the Company's 2010 annual meeting of shareholders, provided the director has been continuously serving as a member of the Board from the date of grant until the earlier of such dates. Unvested options are forfeited when a director leaves the Board. The options terminate on May 25, 2016, except that vested options held by a director who leaves the Board before a change of control will terminate three years after termination of Board service, if such date occurs before May 25, 2016.

(3) Non-qualified options were granted to executive and non-executive employees of the Company pursuant to the 2008 EIP. The options vest in three equal annual installments beginning on the first anniversary of the grant date.

(4) Non-qualified stock options were granted under the 2008 EIP to the Company's five non-employee directors. The options became fully vested on May 27, 2009, the date of the Company's 2009 annual meeting of the shareholders.

(5) Non-qualified stock options were granted to the Company's six non-employee directors. The options became fully vested on May 29, 2008, the date of the Company's 2008 annual meeting of the shareholders.

(6) Non-qualified options were granted to executive and non-executive employees of the Company. The options vest in three equal annual installments beginning on the first anniversary of the grant date.

PRGX GLOBAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes nonvested stock awards (restricted stock and restricted stock units) grants during the years ended December 31, 2009, 2008 and 2007:

	# of Shares Granted	Vesting Period	Grant Date Fair Value
2009			
	344,445	4 years (1)	$1,229,669
	42,730	1 year (2)	120,499
	20,000	3 years (3)	57,400
	522,832	3 years (4)	1,546,636
	25,000	3 years (5)	168,500
2008			
	25,325	1 year (6)	249,958
	171,323	3 years (7)	1,629,282
	317,192	3 years (8)	3,016,496
2007			
	—	—	—

(1) During the first quarter of 2009, in connection with his joining the Company as its President and Chief Executive Officer, the Company made inducement grants outside its existing stock-based compensation plans to Mr. Romil Bahl. Mr. Bahl received nonvested stock awards (restricted stock) representing 344,445 shares of the Company's common stock. Mr. Bahl's nonvested stock awards were granted in two tranches, the first of which consists of 233,334 shares that vest in four equal annual installments beginning in January 2010. The second tranche consists of 111,111 shares and vests 50% on each of the second and fourth anniversaries of the grant date. During the vesting period, Mr. Bahl will be entitled to receive dividends with respect to the nonvested shares, if any, and to vote the shares.

(2) Nonvested stock awards (restricted stock) were granted to the Company's five non-employee directors pursuant to the 2008 EIP. The shares of restricted stock will vest upon the earlier of (i) May 26, 2010, and (ii) the date of, and immediately prior to, the Company's 2010 annual meeting of shareholders, provided the director has been continuously serving as a member of the Board from the date of grant until the earlier of such dates. Unvested shares of restricted stock will be forfeited when a director leaves the Board. The shares are generally nontransferable until vesting. During the vesting period, the grantees of the restricted stock will be entitled to receive dividends with respect to the nonvested shares and to vote the shares.

(3) Nonvested stock awards (restricted stock) granted to an employee of the Company pursuant to the Company's 2008 EIP. The shares of restricted stock vest 50% on each of the first and third anniversaries of the grant date. During the vesting period, the restricted stock grantee will be entitled to receive dividends, if any, with respect to the nonvested shares and to vote the shares.

(4) Nonvested stock awards (restricted stock and restricted stock units) granted to executive and non-executive employees of the Company pursuant to the Company's 2008 EIP. The shares of restricted stock and the restricted stock units vest in three equal annual installments beginning on the first anniversary of the grant date. During the vesting period, the restricted stock grantees will be entitled to receive dividends, if any, with respect to the nonvested shares and to vote the shares. During the vesting period, grantees of restricted stock units will be entitled to receive dividends, if any, with respect to the nonvested shares, but will not be entitled to vote the shares underlying the units.

PRGX GLOBAL, INC. AND SUBSIDIARIES

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(5) Nonvested stock awards (restricted stock units) granted to 3 employees of the Company pursuant to the Company's 2008 EIP. The shares of restricted stock units vest on the third anniversary of the grant date. During the vesting period, grantees of restricted stock units will be entitled to receive dividends, if any, with respect to the nonvested shares, but will not be entitled to vote the shares underlying the units.

(6) Nonvested stock awards (restricted stock) were granted to the Company's five non-employee directors pursuant to the 2008 EIP. The shares of restricted stock vested on May 27, 2009, the date of the Company's 2009 annual meeting of shareholders.

(7) Nonvested stock awards (restricted stock and restricted stock units) were granted to 68 executive and non-executive employees of the Company pursuant to the 2008 EIP. These shares of restricted stock and restricted stock units vest in three equal annual installments beginning on the first anniversary of the grant date. During the vesting period, the award recipients of restricted stock will be entitled to receive dividends with respect to the nonvested shares and to vote the shares. During the vesting period, award recipients of restricted stock units will be entitled to receive dividends with respect to the nonvested shares, but will not be entitled to vote the shares underlying the units.

(8) Nonvested stock awards (restricted stock and restricted stock units) were granted to 68 executive and non-executive employees of the Company pursuant to the Company's 2008 EIP. These shares of restricted stock and restricted stock units will vest on December 31, 2011 provided that Company performance goals outlined in the stock award agreements are met for the three-year period ending December 31, 2011. During the vesting period, the award recipients of restricted stock will be entitled to receive dividends with respect to the nonvested shares and to vote the shares. During the vesting period, award recipients of restricted stock units will be entitled to receive dividends with respect to the nonvested shares, but will not be entitled to vote the shares underlying the units.

A summary of option activity as of December 31, 2009, and changes during the year then ended is presented below:

Options	Shares	Weighted-Average Exercise Price (Per Share)	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value ($ 000's)
Outstanding at January 1, 2009	1,060,596	$ 17.39		
Granted	844,821	3.14		
Exercised	(9,375)	2.80		
Forfeited	(140,768)	28.26		
Expired	(14,705)	99.79		
Outstanding at December 31, 2009	1,740,569	$ 8.98	5.18 years	$ 2,284
Exercisable at December 31, 2009	710,407	$ 14.79	3.92 years	$ 47

The weighted-average grant date fair value of options granted during the years ended December 31, 2009, 2008 and 2007 was $2.31 per share, $6.38 per share and $8.93 per share, respectively.

A summary of nonvested stock awards (restricted stock and restricted stock units) activity as of December 31, 2009, and changes during the year then ended is presented below:

Nonvested Stock	Shares	Weighted Average Grant Date Fair Value (Per Share)
Nonvested at January 1, 2009	194,759	$ 9.56
Granted	955,007	3.27
Vested	(108,767)	8.67
Forfeited	(45,846)	6.67
Nonvested at December 31, 2009	995,153	$ 3.75

The weighted-average grant date fair value of nonvested stock awards (restricted stock and restricted stock units) granted during the years ended December 31, 2009 and 2008 was $3.27 per share and $9.56 per share, respectively. There were no grants of nonvested stock during the year ended December 31, 2007.

2006 MIP Performance Units

At the annual meeting of shareholders held on August 11, 2006, the shareholders of the Company approved a proposal granting authorization to issue up to 2.1 million shares of the Company's common stock under the 2006 MIP. On September 29, 2006, an aggregate of 682,301 Performance Units were awarded under the 2006 MIP to the seven executive officers of the Company. The awards had an aggregate grant date fair value of $4.0 million. At Performance Unit settlement dates (which vary), participants are paid in common stock and in cash. Participants will receive a number of shares of Company common stock equal to 60% of the number of Performance Units being paid out, plus a cash payment equal to 40% of the fair market value of that number of shares of common stock equal to the number of Performance Units being paid out. The awards were 50% vested at the award date and the remainder of the awards vests ratably over approximately the following eighteen months. The awards became fully vested on March 17, 2008. The awards contain certain anti-dilution and change of control provisions. Also, the number of Performance Units awarded were automatically adjusted on a pro-rata basis upon the conversion into common stock of any of the Company's senior convertible notes or Series A convertible preferred stock. During 2006, an additional 122,073 Performance Units with aggregate grant date fair values of $1.6 million were granted as a result of this automatic adjustment provision.

On March 28, 2007, an additional executive officer of the Company was granted 20,000 Performance Units under the 2006 MIP. The award had a grant date fair value of $0.3 million and vests ratably over four years. During 2007, an additional 1,436,484 Performance Units with aggregate grant date fair values of $24.0 million were granted to the eight executive officers of the Company as a result of the automatic adjustment provision related to the conversions of convertible securities into common stock.

All Performance Units must be settled before April 30, 2016. The Company recognized compensation expense (credit) of $(0.2 million), $(0.4 million) and $19.6 million during the years ended December 31, 2009, 2008 and 2007, respectively, related to these 2006 MIP Performance Unit awards, including $17.7 million related to the automatic adjustments in the year ended December 31, 2007. The amount of compensation expense recognized was based on the assumption that none of the Performance Unit awards would be forfeited.

During the second quarter of 2009, an aggregate of 1,040,766 Performance Units under the 2006 MIP were settled by seven then current and former executive officers. These settlements resulted in the issuance of 624,456 shares of common stock and cash payments totaling $1.3 million. In July 2009, 224,154 Performance Units were settled by a former executive officer. This settlement resulted in the issuance of 134,492 shares of common stock and a cash payment of $0.3 million. In November 2009, 89,662 Performance Units were settled by a former executive officer. This settlement resulted in the issuance of 53,797 shares of common stock and a cash payment of $0.2 million. In December 2009, 119,548 Performance Units were settled by a former executive officer. This settlement resulted in the issuance of 71,728 shares of common stock and a cash payment of $0.2 million. As of December 31, 2009, a total of 268,988 Performance Units were outstanding and fully vested under the 2006 MIP.

On April 30, 2008, an aggregate of 493,137 Performance Units under the 2006 MIP were settled by six executive officers. These settlements resulted in the issuance of 295,879 shares of common stock and cash payments totaling $2.0 million.

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During the years ended December 31, 2009, 2008 and 2007, stock-based compensation charges aggregated $3.3 million, $2.2 million and $21.0 million, respectively. Such charges are included in selling, general and administrative expenses in the accompanying Consolidated Statements of Operations. As of December 31, 2009, there was $5.7 million of unrecognized stock-based compensation expense related to stock options, nonvested stock and Performance Unit awards which is expected to be recognized over a weighted average period of 4.86 years.

(15) FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective January 1, 2008, the Company adopted FASB ASC 820, "*Fair Value Measurements and Disclosures*" ("FASB ASC 820"), for all financial instruments and non-financial assets and liabilities accounted for at fair value on a recurring basis. Effective January 1, 2009, the Company adopted FASB ASC 820 for all non-financial assets and liabilities accounted for at fair value on a non-recurring basis.

Information regarding assets and liabilities measured at fair value on a recurring basis as of December 31, 2009 and 2008 follows (in thousands):

		Fair Value Measurements at Reporting Date Using		
	Reporting Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2009				
Assets:				
Cash and cash equivalents	$ 33,026	$ 33,026	$ —	$ —
Liabilities:				
Business acquisition obligations	$ 2,695	$ —	$ —	$ 2,695
As of December 31, 2008				
Assets:				
Cash and cash equivalents	$ 26,688	$ 26,688	$ —	$ —

In accordance with the provisions of FASB ASC 350, the Company tests its goodwill and other intangible assets for impairment at least annually. The annual impairment tests are based on fair value measurements using Level 3 inputs primarily consisting of estimated discounted cash flows expected to result from the use of the assets. As of the date of the last test, which was October 1, 2009, management concluded that there was no impairment of goodwill or other intangible assets as of that date. FASB ASC 350 requires that intangible assets with finite lives be amortized over their expected lives.

Debt and capital lease obligations of $14.3 million and $19.6 million as of December 31, 2009 and 2008, respectively, are reported at their unpaid balances as of those dates based on their effective borrowing rates and repayment terms when originated. Management believes that the fair values of such instruments are approximately equal to their carrying values as of those dates. Fair value measurements of debt and capital lease obligations are based on Level 2 inputs as defined in FASB ASC 820 (significant other observable inputs). Significant other observable inputs would include effective borrowing rates for comparable instruments given the Company's perceived credit risk.

(16) WORKFORCE REDUCTION AND RESTRUCTURING

PRGX GLOBAL, INC. AND SUBSIDIARIES

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On September 30, 2005, the Company's Board of Directors approved a restructuring plan and authorized implementation of the plan. The expense restructuring plan encompassed exit activities, including reducing the number of clients served, reducing the number of countries in which the Company operates, reducing headcount, and terminating operating leases. In 2007, the Company recorded additional restructuring charges for early lease termination costs of $1.3 million and leasehold improvement impairment charges of $0.3 million under this plan.

The operational restructuring plan as originally contemplated and approved in 2005 has been completed. The following table summarizes activity by reporting segment associated with the workforce reduction and restructuring liabilities (in thousands) as of December 31, 2009:

	Recovery Audit Services– Americas	Recovery Audit Services – Europe Asia-Pacific	New Services	Corporate Support	Restructuring Liabilities
Balance as of December 31, 2006					$ 3,928
2007 Accruals:					
Lease termination costs	—	—	—	1,300	1,300
Non cash impairment charges	—	—	—	344	344
2007 Payments					(2,015)
2007 Allocations					872
Balance as of December 31, 2007					4,429
2008 Payments					(427)
Balance as of December 31, 2008					4,002
2009 Payments					(430)
Balance as of December 31, 2009					$ 3,572

Allocations reflected above primarily relate to the reclassification of operating lease liabilities which had already been recorded in accordance with FASB ASC 840-20.

(17) BUSINESS ACQUISTION

Effective July 16, 2009, the Company's UK subsidiary acquired the business and certain assets of First Audit Partners LLP ("FAP"), a privately-held European provider of recovery audit services based in Cambridge, England. The business and assets of FAP have been integrated into the Company's European operations (included in the Recovery Audit Services – Europe/Asia-Pacific operating segment) and expanded the growing list of major European retailers to whom the Company provides services.

The financial terms of the FAP Asset Purchase Agreement ("APA") are denominated in British pounds sterling; parenthetical references to U.S. dollar equivalents below are based on the foreign exchange rates as of the acquisition date. The APA required an initial payment to the FAP owners of £1.0 million ($1.6 million) and requires additional deferred payments of £0.5 million ($0.8 million) in January 2010 and £0.8 million ($1.3 million) in July 2010. Additional variable consideration ("earn-out") may also be due based on the operating results generated by the acquired business over the next four years. The Company recorded an additional £1.3 million ($2.1 million) payable based on management's estimate of the earn-out liability. The earn-out liability was calculated based on estimated future discounted cash flows to be generated by the acquired business over a four year period. The discount rate was determined based on specific business risk, cost of capital and other factors. The total estimated purchase price is valued at approximately $5.8 million.

The estimated fair values of the assets acquired and purchase price is summarized as follows (in thousands):

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Fair values of assets acquired:	
Equipment	$ 56
Current assets, primarily work in progress	741
Intangible assets, primarily customer relationships	7,830
	8,627
Fair value of purchase price	5,839
Gain on bargain purchase	$ 2,788
Transaction costs	(400)
Gain on bargain purchase, net	$ 2,388

The estimated fair values of intangible assets were based on management's estimates of future discounted cash flows to be generated by the acquired business over the estimated duration of those cash flows. The estimated cash flows were based on management's projection of future revenues, cost of revenues, capital expenditures, working capital needs and tax rates. Although the cash flow projections are based on FAP's historical performance, combined with experience with similar clients in the same market, there could be an unforeseen change in the business that could negatively impact the estimated future cash flows which would negatively impact the value of the intangible assets. Management estimated the duration of the cash flows based on historical client retention experience and other factors specific to FAP's clients. The discount rate was determined based on specific business risk, cost of capital and other factors. The excess of fair values of assets acquired over the purchase price resulted in a gain on bargain purchase of $2.8 million.

(18) QUARTERLY RESULTS

The following tables set forth certain unaudited condensed quarterly financial data for each of the last eight quarters during the Company's fiscal years ended December 31, 2009 and 2008. The information has been derived from unaudited Condensed Consolidated Financial Statements that, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of such quarterly information. The operating results for any quarter are not necessarily indicative of the results to be expected for any future period.

	2009 Quarter Ended				2008 Quarter Ended			
	Mar. 31*	June 30*	Sept. 30*	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
	(In thousands, except per share data)							
Revenues	$ 39,252	$ 45,471	$ 45,321	$ 49,539	$ 48,263	$ 49,648	$ 49,182	$ 48,613
Cost of revenues	26,413	28,328	28,974	33,003	30,252	32,941	31,169	31,539
Gross margin	12,839	17,143	16,347	16,536	18,011	16,707	18,013	17,074
Selling, general and administrative expenses	9,723	10,773	11,001	12,376	12,843	11,024	12,139	8,022
Operating income	3,116	6,370	5,346	4,160	5,168	5,683	5,874	9,052
Gain on bargain purchase, net	—	—	2,388	—	—	—	—	—
Interest expense, net	699	727	728	871	991	765	789	700
Earnings before income taxes	2,417	5,643	7,006	3,289	4,177	4,918	5,085	8,352
Income tax expense	544	618	605	1,261	593	400	879	1,630
Net earnings	$ 1,873	$ 5,025	$ 6,401	$ 2,028	$ 3,584	$ 4,518	$ 4,206	$ 6,722
Basic earnings per common share	$ 0.08	$ 0.22	$ 0.27	$ 0.09	$ 0.17	$ 0.21	$ 0.19	$ 0.30
Diluted earnings per common share	$ 0.08	$ 0.21	$ 0.27	$ 0.08	$ 0.16	$ 0.20	$ 0.18	$ 0.29

* Certain reclassifications were recorded during the fourth quarter of 2009, thus, cost of revenues, selling, general and administrative expenses and gain on bargain purchase, net line items will not agree with previously filed Form 10-Q's. Income before interest and income taxes did not change for any period previously reported.

(19) SUBSEQUENT EVENTS

On January 19, 2010, the Company entered into a four-year revolving credit and term loan agreement with SunTrust Bank ("SunTrust"). The SunTrust credit facility consists of a $15.0 million committed revolving credit facility and a $15.0 million term loan. For additional information see *Note 8* above.

In February 2010, the Company acquired all the issued and outstanding capital stock of Etesius Limited, a privately-held European provider of purchasing and payables technologies and spend analytics based in Chelmsford, United Kingdom. The Etesius acquisition is expected to allow the Company to expand its New Services offering, more specifically, its business analytics and advisory services businesses.

The financial terms of the Etesius Share Purchase Agreement require an initial payment to the Etesius shareholders of $2.8 million and require additional deferred payments of $1.2 million to be paid over four years. Additional variable consideration up to an aggregate of $3.8 million may also be due based on the financial performance of certain of the Company's service lines over the next four years. The Company has not completed the valuations and accounting required under FASB ASC 805.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of its management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in the Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective as of December 31, 2009.

Management's Annual Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as defined in the Exchange Act Rule 13a-15(f). Our internal control system is designed to provide reasonable assurance regarding the preparation and fair presentation of financial statements for external purposes in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations and can provide only reasonable assurance that the objectives of the internal control system are met. Under the supervision and with the participation of the Company's management, including the Company's President and Chief Executive Officer along with the Company's Chief Financial Officer and Treasurer, the Company conducted an assessment of the effectiveness of internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, management concluded that, as of December 31, 2009, the Company's internal control over financial reporting is effective.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Commencing with this annual report on Form 10-K we are not deemed to be an "accelerated filer" (as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended) because our public float was below the required threshold as of the last business day of our second fiscal quarter of 2009. As a result of becoming a non-accelerated filer, we are not required to provide an attestation report of our registered public accounting firm regarding our internal control over financial reporting. We have elected to not include such an attestation report in this annual report, which election was approved by the Audit Committee of our Board of Directors.

There was no change in the Company's internal control over financial reporting that occurred during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Management's report shall not be deemed filed for purposes of Section 18 of the Exchange Act.

ITEM 9B. Other Information.

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Except as set forth below, the information required by Item 10 of this Form 10-K is incorporated herein by reference to the information contained in the sections captioned “Election of Directors”, “Information about the Board of Directors and Committees of the Board of Directors”, “Executive Officers” and “Section 16(a) Beneficial Ownership Reporting Compliance” of our definitive proxy statement (the “Proxy Statement”) for the 2010 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”).

We have undertaken to provide to any person without charge, upon request, a copy of our code of ethics applicable to our chief executive officer and senior financial officers. You may obtain a copy of this code of ethics free of charge from our website, www.prgx.com.

ITEM 11. Executive Compensation

The information required by Item 11 of this Form 10-K is incorporated by reference to the information contained in the sections captioned “Executive Compensation”, “Information about the Board of Directors and Committees of the Board of Directors”, and “Report of the Audit Committee” of the Proxy Statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Except as set forth below, the information required by Item 12 of this Form 10-K is incorporated by reference to the information contained in the section captioned "Ownership of Directors, Principal Shareholders and Certain Executive Officers" of the Proxy Statement.

Securities Authorized for Issuance Under Equity Compensation Plans

The Company currently has three stock-based compensation plans under which awards have been granted: (1) the Stock Incentive Plan ("SIP"), (2) the 2006 Management Incentive Plan ("2006 MIP"), and (3) the 2008 Equity Incentive Plan ("2008 EIP"). The SIP, as amended, authorized the grant of options or other stock-based awards, with respect to up to 1,237,500 shares of the Company's common stock to key employees, directors, consultants and advisors. The SIP expired in June 2008.

At the annual meeting of shareholders held on August 11, 2006, the shareholders of the Company approved a proposal granting authorization to issue up to 2.1 million shares of the Company's common stock under the 2006 MIP. At Performance Unit settlement dates (which vary), participants are paid in common stock and in cash. Participants will receive a number of shares of Company common stock equal to 60% of the number of Performance Units being paid out, plus a cash payment equal to 40% of the fair market value of that number of shares of common stock equal to the number of Performance Units being paid out. The awards were 50% vested at the award date and the remainder of the awards vests ratably over approximately the following eighteen months. The awards contain certain anti-dilution and change of control provisions. Also, the number of Performance Units awarded were automatically adjusted on a pro-rata basis upon the conversion into common stock of any of the Company's senior convertible notes or Series A convertible preferred stock.

During the first quarter of 2008, the Board of Directors of the Company adopted the 2008 EIP, which was approved by the shareholders at the annual meeting of the shareholders on May 29, 2008. The 2008 EIP authorizes the grant of incentive and non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and other incentive awards. Two million shares of the Company's common stock have been reserved for issuance under the 2008 EIP pursuant to award grants to key employees, directors and service providers.

The following table presents certain information with respect to compensation plans under which equity securities of the registrant were authorized for issuance as of December 31, 2009:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders:			
Stock Incentive Plan	677,149	$ 15.86	—
2008 Equity Incentive Plan	1,653,400	4.99	237,833
Share awards (1)	161,391	—	77,794
Equity compensation plans not approved by security holders (2)	640,741	3.57	—
Total	3,132,681	$ 8.98	315,627

(1) Amounts presented represent 60% of Performance Unit awards under the Company's 2006 Management Incentive Plan. Performance Unit awards are required to be settled 60% in common stock and 40% in cash.

(2) Inducement Option Grant — during the first quarter of 2009, in connection with his joining the Company as its President and Chief Executive Officer, the Company made inducement grants outside its existing stock-based compensation plans to Mr. Romil Bahl. Mr. Bahl received

an option to purchase 296,296 shares of the common stock of the Company and nonvested stock awards (restricted stock) representing 344,445 shares of the Company's common stock.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 of this Form 10-K is incorporated by reference to the information contained in the sections captioned "Information about the Board of Directors and Committees of the Board of Directors", "Executive Compensation – Employment Agreements" and "Certain Transactions" of the Proxy Statement.

ITEM 14. Principal Accounting Fees and Services

The information required by Item 14 of this Form 10-K is incorporated by reference to the information contained in the sections captioned "Principal Accountants' Fees and Services" of the Proxy Statement.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of the report

(1) Consolidated Financial Statements:

For the following consolidated financial information included herein, see Index on Page 42.

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Consolidated Statements of Operations for the Years ended December 31, 2009, 2008 and 2007	44
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(2) Financial Statement Schedule:

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(3) Exhibits

Exhibit Number	Description
2.1	Share Purchase Agreement dated February 25, 2010 by and between PRGX U.K. Limited and Etesius Limited.
3.1	Restated Articles of Incorporation of the Registrant, as amended and corrected through August 11, 2006 (restated solely for the purpose of filing with the Commission) (incorporated by reference to Exhibit 3.1 to the Registrant's Report on Form 8-K filed on August 17, 2006).
3.1.1	Articles of Amendment of the Registrant dated January 20, 2010 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed on January 25, 2010).
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed on December 11, 2007).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Form 10-K for the year ended December 31, 2001).
4.2	See Restated Articles of Incorporation and Bylaws of the Registrant, filed as Exhibits 3.1 and 3.2, respectively.
4.3	Shareholder Protection Rights Agreement, dated as of August 9, 2000, between the Registrant and Rights Agent, effective May 1, 2002 (incorporated by reference to Exhibit 4.3 to the Registrant's Form 10-Q for the quarterly period ended June 30, 2002).
4.3.1	First Amendment to Shareholder Protection Rights Agreement, dated as of March 12, 2002, between the Registrant and Rights Agent (incorporated by reference to Exhibit 4.3 to the Registrant's Form 10-Q for the quarterly period ended September 30, 2002).
4.3.2	Second Amendment to Shareholder Protection Rights Agreement, dated as of August 16, 2002, between the Registrant and Rights Agent (incorporated by reference to Exhibit 4.3 to the Registrant's Form 10-Q for the quarterly period ended September 30, 2002).
4.3.3	Third Amendment to Shareholder Protection Rights Agreement, dated as of November 7, 2006, between the Registrant and Rights Agent (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed on November 14, 2005).

Exhibit Number	Description
4.3.4	Fourth Amendment to Shareholder Protection Rights Agreement, dated as of November 14, 2006, between the Registrant and Rights Agent (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed on November 30, 2005).
4.3.5	Fifth Amendment to Shareholder Protection Rights Agreement, dated as of March 9, 2006, between the Registrant and Rights Agent (incorporated by reference to Exhibit 4.9 to the Registrant's Form 10-K for the year ended December 31, 2005).
4.3.6	Sixth Amendment to Shareholder Protection Rights Agreement, dated as of September 17, 2007, between the Registrant and Rights Agent (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed on September 21, 2007).
+10.1	1996 Stock Option Plan, dated as of January 25, 1996, together with Forms of Non-qualified Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the Registrant's March 26, 1996 Registration Statement No. 333-1086 on Form S-1).
+10.2	Form of Indemnification Agreement between the Registrant and Directors and certain officers, including named executive officers, of the Registrant (incorporated by reference to Exhibit 10.4 to the Registrant's Form 10-K for the year ended December 31, 2003).
+10.3	Form of the Registrant's Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q for the quarterly period ended June 30, 2001).
10.4	Noncompetition, Nonsolicitation and Confidentiality Agreement among The Profit Recovery Group International, Inc., Howard Schultz & Associates International, Inc., Howard Schultz, Andrew Schultz and certain trusts, dated January 24, 2002 (incorporated by reference to Exhibit 10.34 to the Registrant's Form 10-K for the year ended December 31, 2001).
10.5	Office Lease Agreement between Galleria 600, LLC and PRG-Schultz International, Inc. (incorporated by reference to Exhibit 10.43 to the Registrant's Form 10-K for the year ended December 31, 2001).
10.5.1	First Amendment to Office Lease Agreement between Galleria 600, LLC and PRG-Schultz International, Inc. (incorporated by reference to Exhibit 10.65 to the Registrant's Form 10-K for the year ended December 31, 2002).
+10. 6	Amended Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q for the quarterly period ended June 30, 2002).
+10.7	Amended HSA-Texas Stock Option Plan (incorporated by reference to Exhibit 10.4 to the Registrant's Form 10-Q for the quarterly period ended June 30, 2002).
10.8	Investor Rights Agreement, dated as of August 27, 2002, among PRG-Schultz International, Inc., Berkshire Fund V, LP, Berkshire Investors LLC and Blum Strategic Partners II, L.P. (incorporated by reference to Exhibit 10.7 to the Registrant's Form 10-Q for the quarterly period ended September 30, 2002).
10.8.1	Amendment to Investor Rights Agreement dated March 28, 2006 (incorporated by reference to Exhibit 10.8 to the Registrant's Form 10-Q for the quarter ended March 31, 2006).
+10.9	Form of Non-employee Director Option Agreement (incorporated by reference to Exhibit 99.1 to the Registrant's Report on Form 8-K filed on February 11, 2005).
+10.10	Amended and Restated Employment Agreement between Registrant and Mr. James B. McCurry, dated as of December 17, 2007 (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on December 19, 2007).
+10.10.1	Release Agreement dated December 1, 2008 between the Registrant and Mr. McCurry (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on December 4, 2008).
+10.11	Separation and Release Agreement between Registrant and Mr. John M. Cook, dated as of August 2, 2005 (incorporated by reference to Exhibit 99.1 to Registrant's Form 8-K filed on August 8, 2005).
+10.11.1	First Amendment to Separation and Release Agreement with John M. Cook dated March 16, 2006 (incorporated by reference to Exhibit 99.1 to the registrant's Form 8-K filed on March 22, 2006).
+10.12	Separation and Release Agreement between Registrant and Mr. John M. Toma, dated as of August 2, 2005 (incorporated by reference to Exhibit 99.2 to Registrant's Form 8-K filed on August 8, 2005).

Exhibit Number	Description
+10.12.1	First Amendment to Separation and Release Agreement with John M. Toma dated March 16, 2006 (incorporated by reference to Exhibit 99.2 to the registrant's Form 8-K filed on March 22, 2006).
+10.13	Employment Agreement between the Registrant and Peter Limeri entered into on November 28, 2008 (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on December 4, 2008).
10.14	Amended and Restated Standstill Agreement, dated as of July 16, 2007, between Registrant and Blum Capital Partners, L.P. and certain of its affiliates (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on July 16, 2007).
10.15	Restructuring Support Agreement dated December 23, 2005 (incorporated by reference to Exhibit 10.66 to the Registrant's Form 10-K for the year ended December 31, 2005).
10.15.1	Amended and Restated Restructuring Support Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q for the quarter ended March 31, 2006).
+10.16	Employment Agreement between the Registrant and Larry Robinson dated November 28, 2008 (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed on December 4, 2008).
+10.17	Employment Agreement between the Registrant and Brad Roos dated November 28, 2008 (incorporated by reference to Exhibit 10.4 to the Registrant's Form 8-K filed on December 4, 2008).
+10.18	Expatriate Assignment Agreement with Brad Roos (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on February 14, 2008).
+10.18.1	Separation Agreement between the Registrant and Brad Roos dated May 29, 2009 (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on June 1, 2009).
10.19	Registration Rights Agreement dated March 17, 2006 (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q for the quarter ended March 31, 2006).
10.20	Amended and Restated Financing Agreement dated September 17, 2007 (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on September 21, 2007).
10.20.1	Amendment Number One to Amended and Restated Financing Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on April 3, 2008).
10.20.2	Amendment Number Two to Amended and Restated Financing Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on April 3, 2009)
10.21	Security Agreement dated March 17, 2006 (incorporated by reference to Exhibit 10.4 to the Registrant's Form 10-Q for the quarter ended March 31, 2006).
+10.22	Amended and Restated 2006 Management Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q for the quarter ended September 30, 2006).
+10.22.1	Form of Performance Unit Agreement under 2006 Amended and Restated Management Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q for the quarter ended September 30, 2006).
+10.22.2	Form of Amendment to Performance Unit Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on December 11, 2007).
+10.23	Employment Agreement with Norman Lee White dated June 19, 2006 (incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed on June 20, 2006).
+10.23.1	Separation Agreement dated November 30, 2008 between PRG-Schultz USA and Mr. White (incorporated by reference to Exhibit 10.5 to the Registrant's Form 8-K filed on December 4, 2008).
+10.24	Form of Non-Employee Director Stock Option Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed on September 18, 2007).
+*10.25	2008 PRG-Schultz Performance Bonus Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 10-Q for the quarter ended March 31, 2008).
+10.26	2009 PRG-Schultz Performance Bonus Plan
+10.27	PRG-Schultz International, Inc. 2008 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on June 4, 2008).

Exhibit Number	Description
+10.27.1	Form of Restricted Stock Agreement for Non-Employee Directors (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on June 4, 2008).
+10.27.2	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed on June 4, 2008).
+10.28	Employment Agreement dated January 8, 2009, by and between Mr. Romil Bahl and the Registrant (incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed on January 14, 2009).
+10.28.1	Form of Nonqualified Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 8-K filed on January 14, 2009).
+10.28.2	Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.3 to the Registrant's Report on Form 8-K filed on January 14, 2009).
+10.29	Employment Agreement dated May 26, 2009 by and between the Registrant and Robert B. Lee (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on June 1, 2009).
10.30	Revolving Credit and Term Loan Agreement dated as of January 19, 2010, by and among PRGX Global, Inc. (formerly PRG-Schultz International, Inc), and PRGX USA, Inc. (formerly PRG-Schultz USA, Inc.), as co-borrowers, the lenders from time to time party thereto, SunTrust Bank, as issuing bank, and SunTrust Bank, as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on January 25, 2010).
10.30.1	Subsidiary Guaranty Agreement dated as of January 19, 2010 by and among PRGX Global, Inc. (formerly PRG-Schultz International, Inc), and PRGX USA, Inc. (formerly PRG-Schultz USA, Inc.), as borrowers, each of the subsidiaries of PRGX Global, Inc. listed on schedule I thereto, as guarantors, and SunTrust Bank, as administrative agent (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on January 25, 2010).
10.30.2	Security Agreement dated January 19, 2010 among PRGX Global, Inc. (formerly PRG-Schultz International, Inc), PRGX USA, Inc. (formerly PRG-Schultz USA, Inc.), and the other direct and indirect subsidiaries of PRGX Global, Inc. signatory thereto, as grantors, in favor of SunTrust Bank, as administrative agent (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K filed on January 25, 2010).
10.30.3	Equity Pledge Agreement dated as of January 19, 2010, made by PRGX Global, Inc. (formerly PRG-Schultz International, Inc), PRGX USA, Inc. (formerly PRG-Schultz USA, Inc.), and the other direct and indirect subsidiaries of PRGX Global, Inc. signatory thereto, as grantors, in favor of SunTrust Bank, as administrative agent (incorporated by reference to Exhibit 10.4 to the Registrant's Form 8-K filed on January 25, 2010).
+10.31	Employment Agreement between the Registrant and Victor A. Allums dated November 28, 2008
+10.32	Employment Agreement between the Registrant and Jennifer G. Moore dated November 28, 2008
+10.32.1	Separation Agreement between the Registrant and Jennifer G. Moore dated October 26, 2009.
+10.33	Employment Agreement between the Registrant and James Shand dated March 12, 2009.
14.1	Code of Ethics for Senior Financial Officers (incorporated by reference to Exhibit 14.1 to the Registrant's Form 10-K for the year ended December 31, 2003).
21.1	Subsidiaries of the Registrant.
23.1	Consent of BDO Seidman, LLP
31.1	Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a), for the year ended December 31, 2009.
31.2	Certification of the Chief Financial Officer, pursuant to Rule 13a-14(a) or 15d-14(a), for the year ended December 31, 2009.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, for the year ended December 31, 2009.

* Confidential treatment, pursuant to 17 CFR §§ 200.80 and 240.24b-2, has been granted regarding certain portions of the indicated Exhibit, which portions have been filed separately with the Commission.

\+ Designates management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRGX GLOBAL, INC.

By: /s/ ROMIL BAHL
Romil Bahl
President, Chief Executive Officer, Director
(Principal Executive Officer)

Date: March 29, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ROMIL BAHL Romil Bahl	President, Chief Executive Officer and Director (Principal Executive Officer)	March 29, 2010
/s/ ROBERT B. LEE Robert B. Lee	Chief Financial Officer and Treasurer (Principal Financial Officer)	March 29, 2010
/s/ LEE GENTRY Lee Gentry	Controller (Principal Accounting Officer)	March 29, 2010
/s/ DAVID A. COLE David A. Cole	Director	March 29, 2010
/s/ PATRICK G. DILLS Patrick G. Dills	Chairman of the Board	March 29, 2010
/s/ N. COLIN LIND N. Colin Lind	Director	March 29, 2010
/s/ PHILIP J. MAZZILLI, JR. Philip J. Mazzilli, Jr.	Director	March 29, 2010
/s/ STEVEN P. ROSENBERG Steven P. Rosenberg	Director	March 29, 2010

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(In thousands)

Description	Balance at Beginning of Year	Additions: Charge (Credit) to Costs and Expenses	Deductions: Credit to the respective receivable (1)	Balance at End of Year
2009				
Allowance for doubtful accounts receivable	$ 921	137	(26)	$ 1,032
Allowance for doubtful employee advances and miscellaneous receivables	$ 311	235	(195)	$ 351
Deferred tax valuation allowance	$ 64,307	(6,003)	—	$ 58,304
2008				
Allowance for doubtful accounts receivable	$ 826	319	(224)	$ 921
Allowance for doubtful employee advances and miscellaneous receivables	$ 1,831	—	(1,520)	$ 311
Deferred tax valuation allowance	$ 79,805	(15,498)	—	$ 64,307
2007				
Allowance for doubtful accounts receivable	$ 1,795	(961)	(8)	$ 826
Allowance for doubtful employee advances and miscellaneous receivables	$ 1,306	525	—	$ 1,831
Deferred tax valuation allowance	$ 79,240	565	—	$ 79,805

(1) Write-offs, net of recoveries

Exhibit 2.1

Dated

February 28, 2010

Share purchase agreement

between

Sajid Ghani and others

and

PRGX UK Ltd

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THIS AGREEMENT is dated February 28, 2010

Parties

(1) The several persons whose names and addresses are set out in Schedule 1 (Particulars of Sellers) (the "**Sellers**").

(2) **PRGX UK LTD** a private company limited by shares incorporated and registered in England and Wales with company number 01478123 whose registered office is at First Floor, 731 Capability Green, Luton, Bedfordshire LU1 3LU (the "**Buyer**").

(3) **MICHAEL MCVICAR** of Oaklands, High Street, Whixley, Yorkshire YO26 8AW **(**"**Michael McVicar**"**)**.

Background

(A) The Company has an issued share capital of £950 divided into 304 A Shares and 646 B shares.

(B) Further particulars of the Company at the date of this agreement are set out in Schedule 2 (Particulars of the Company).

(C) The Sellers are the legal and beneficial owners of, or are otherwise able to procure the transfer of, the legal and beneficial title to the number of Sale Shares set out opposite their respective names in Schedule 1 (Particulars of Sellers) comprising in aggregate the whole of the issued share capital of the Company.

(D) The Sellers have agreed to sell and the Buyer has agreed to buy the Sale Shares subject to the terms and conditions of this agreement.

Agreed terms

1. Interpretation

1.1 The definitions and rules of interpretation in this clause apply in this agreement.

1.2 In this agreement following expressions shall have the following meanings:

"Accounts"	the financial statements of the Company as at and to the Accounts Date consisting of the balance sheet, profit and loss account together with the notes thereon, the cash flow statement and Directors' reports (copies of which are included in the Disclosure Bundle);
"Accounts Date"	31 December 2008;

“A Shares”	the 304 A ordinary shares of £1 each in the capital of the Company registered in the names of, or beneficially owned by, those persons whose names are set out in Schedule 1 (Particulars of Sellers);
“B Shares”	the 646 B ordinary shares of £1 each in the capital of the Company registered in the names of, or beneficially owned by, those persons whose names are set out in Schedule 1 (Particulars of Sellers);
“Business”	the business of the Company, namely the provision of recovery audit services, fraud prevention software and services and spend analytics software and services, as carried on immediately prior to Completion;
“Business Day”	a day (other than a Saturday, Sunday or public holiday) when banks in the City of London are open for business;
“Buyer’s Accountants”	BDO LLP of 55 Baker Street, London W1U 7EU;
“Buyer’s Solicitors”	McGuireWoods London LLP, Imperial House, 15-19 Kingsway, London WC2B 6UN;
“CAA 2001”	the Capital Allowances Act 2001;
“Claim”	a claim for breach of any of the Warranties; a Claim is **connected** with another Claim or Substantiated Claim if they all arise out of the occurrence of the same or similar event or relate to the same or similar subject matter;
“Companies Acts”	the Companies Act 1985 and the Companies Act 2006;
“Company”	Etesius Limited, a private company limited by shares incorporated and registered in England and Wales with company number 04715093 whose registered office is at One London Wall, London EC2Y 5AB, further details of which are set out in Schedule 2 (Particulars of the Company);
“**Company Intellectual Property Rights**”	Intellectual Property Rights owned, used or held for use by the Company;
“Competition Law”	the national and directly effective legislation of any jurisdiction which governs the conduct of companies or individuals in relation to restrictive or other anti-competitive agreements or practices (including, but not limited to, cartels, pricing, resale pricing, market sharing, bid rigging, terms of trading, purchase or

supply and joint ventures), dominant or monopoly market positions (whether held individually or collectively) and the control of acquisitions or mergers;

"Completion" completion of the sale and purchase of the Sale Shares in accordance with clause 4 of this agreement;

"Completion Accounts" the partial balance sheet of the Company, as at the Completion Date stating the amount of the Completion Net Assets and the Completion Net Debt prepared in accordance with and subject to the provisions of Schedule 7 (Completion Accounts);

"Completion Date" the date of this agreement;

"Completion Net Assets"

(a) the current assets; less

(b) the current liabilities and all liabilities for taxation of the Company at Completion, excluding cash at bank and including any amounts owing to Paradigm or any Seller or Warrantor and also including 50% of fees plus VAT due by the Company to Aon Limited and Chartis Insurance UK Limited, all as calculated in accordance with Schedule 7 (Completion Accounts);

"Completion Net Debt" bank debt of the Company less cash at bank each at Completion determined in accordance with Schedule 7 (Completion Accounts);

"Completion Payment" the amount to be paid at Completion in respect of the Initial Consideration pursuant to clause 4.3(a) (Completion);

"Completion Period" the period commencing on the day after the Accounts Date up to and including the Completion Date;

"Connected" in relation to a person, has the meaning contained in section 839 of the ICTA 1988;

"Control" in relation to a body corporate, the power of a person to secure that the affairs of the body corporate are conducted in accordance with the wishes of that person:

(a) by means of the holding of shares, or the possession of voting power, in or in relation to that or any other body corporate;

(b) or by virtue of any powers conferred by the constitutional or corporate documents, or any other document, regulating that or any other body corporate,

and a **Change of Control** occurs if a person who controls any body corporate ceases to do so or if another person acquires control of it;

"Deed of Termination"	the deed of termination in agreed form between the Buyer and Paradigm with respect to the termination of the Consultancy Agreement between the Company and Paradigm dated 15 September 2006;
"Deferred Consideration"	the sum of $1,200,000 being aggregate of the First Deferred Payment, the Second Deferred Payment, the Third Deferred Payment and the Fourth Deferred Payment constituting (to the extent paid) part of the Purchase Price and being payable in accordance with clause 3.1(b) (Purchase Price);
"Determined Claim"	is a claim under this agreement or any document entered into pursuant to this agreement in respect of which liability is admitted by the party against whom such claim is brought or which has been adjudicated on by a court of competent jurisdiction and no right of appeal lies in respect of such adjudication or the parties were prevented by the passage of time or otherwise from making an appeal;
"Director"	each person who is a director, de facto director or shadow director of the Company;
"Disclosed"	fairly disclosed (with sufficient explanation and detail to identify the nature and scope of the matter disclosed) in the Disclosure Letter;
"Disclosure Bundle"	the bundle of documents agreed by parties and attached to the Disclosure Letter;
"Disclosure Letter"	the letter from the Sellers to the Buyer with the same date as this agreement and described as the disclosure letter;

"Discrimination Acts"	the Sex Discrimination Act 1975, the Race Relations Act 1976, the Disability Discrimination Act 1995, the Employment Equality (Religion or Belief) Regulations 2003, the Employment Equality (Sexual Orientation) Regulations 2003 and the Employment Equality (Age) Regulations 2006;
"Draft Completion Accounts"	a draft of the Completion Accounts prepared in accordance with the requirements of Schedule 7 (Completion Accounts);
"Earn-Out Consideration"	those sums constituting (to the extent paid) part of the Purchase Price calculated in respect of each of Year 1 to Year 4 in accordance with Schedule 4 (Earn-Out) and payable in accordance with clause 3 (Purchase Price);
"Earn-Out End Date"	the date on which the last payment of any Earn-Out Consideration shall be made or due to be made following the end of the Earn-Out Period.
"Earn-Out Period"	the period from Completion to the end of Year 4 or if earlier to such date as the last Seller to be entitled to Earn-Out Consideration, ceases to be so entitled;
"EBITDA"	has the meaning given in Part 1 (Calculation of Earn-Out Consideration) of Schedule 4 (Earn-Out);
"Encumbrance"	any interest or equity of any person (including any right to acquire, option or right of pre-emption) or any mortgage, charge, pledge, lien, assignment, hypothecation, security, interest, title, retention or any other security agreement or arrangement;
"Event"	has the meaning given in Schedule 6 (Tax Covenant);
"Expert"	a person appointed in accordance with paragraph 5 of Part 2 of Schedule 4 (Earn-Out) to resolve any dispute arising in the preparation of the Earn-Out Accounts or the calculation of the Earn-Out Consideration or to resolve any dispute arising in the preparation of the Completion Accounts;
"First Deferred Payment"	the sum of $100,000 constituting part of the Deferred Consideration and being payable pursuant to 3.1(b)(i) (Purchase Price);

"Fourth Deferred Payment"	the sum of $700,000 constituting part of the Deferred Consideration and being payable pursuant to 3.1(b)(iv) (Purchase Price);
"FSMA"	the Financial Services and Markets Act 2000;
"Group"	in relation to a company (wherever incorporated) that company, any company of which it is a Subsidiary (its holding company) and any other Subsidiaries of any such holding company; and each company in a group is a member of the group; unless the context otherwise requires, the application of the definition of Group to any company at any time will apply to the company as it is at that time;
"HSBC Amount"	£218,630.06;
"ICTA 1988"	the Income and Corporation Taxes Act 1988;
"IHTA 1984"	the Inheritance Tax Act 1984;
"Initial Consideration"	that part of the Consideration payable at or around Completion and determined in accordance with clause 5 (Determination of Initial Consideration) and Schedule 7 (Completion Accounts);
"Intellectual Property Rights"	has the meaning given in paragraph 20.1 (Intellectual Property) of Part 1 of Schedule 5 (Warranties);
"Indemnities"	the indemnities in clause 10 (Indemnities);
"IT System"	all computer hardware (including network and telecommunications equipment) and software (including associated source code preparatory materials, user manuals and other related documentation) owned, used, leased or licensed by the Company or used in the Business;
"Loan Notes"	the loan notes of an aggregate principal amount equal to the aggregate amount of the Deferred Consideration and the Earn-Out Consideration to be issued from time to time by the Buyer to the Management Sellers in satisfaction of part of the Purchase Price;
"Loan Note Instrument"	the loan note instruments in the agreed form constituting the Loan Notes;

“Losses”	all liabilities, costs, expenses, damages and losses (including all interest, penalties and legal and other professional costs and expenses incurred);
“Management Accounts”	the unaudited balance sheet and the unaudited profit and loss account of the Company (including any notes thereon) for each of: (i) the 12 monthly periods from 1 January 2009 to 31 December 2009 and (ii) the period of one month to 31 January 2010 (a copy of each of which is included in the Disclosure Bundle);
“Management Sellers” or “Management Warrantors”	Sajid Ghani, Mathew Harrowing and Andrew Mitchell;
“Management Sellers’ Representative”	has the meaning given in clause 19.2 (Notice);
“Material Contract”	an agreement or arrangement to which the Company is a party or is bound by and which is of material importance to the business, profits, prospects or assets of the Company;
“Payment Date”	a day on which any payment in respect of the Consideration falls to be made either by way of the issue of Loan Notes or the making of a cash payment (whether under the Loan Notes or otherwise);
“Paradigm”	Paradigm Global Ventures LLP, a limited liability partnership existing under the laws of England and Wales under registered number OC318886 and having its registered office at One London Wall, London EC2Y 5AB;
“Paradigm Sellers”	Clifford Herbertson and Alison McVicar;
“Paradigm Sellers’ Representative”	has the meaning given in clause 19.3 (Notice);
“Paradigm Warrantors”	Michael McVicar and Clifford Herbertson;
“Previously-owned Land and Buildings”	has the meaning given in paragraph 24.1 (Property) of Part 1 of Schedule 5 (Warranties);
“Property”	has the meaning given in paragraph 24.1 (Property) of Part 1 of Schedule 5 (Warranties);
“Purchase Price”	the purchase price for the Sale Shares to be paid by

	the Buyer to the Sellers in accordance with clause 3 (Purchase Price);
"Relevant Revenues"	has the meaning given to it in Part 1 (Calculation of Earn-Out Consideration) of Schedule 4 (Earn-Out);
"Sale Shares"	the A Shares and the B Shares;
"Second Deferred Payment"	the sum of $100,000 constituting part of the Deferred Consideration and being payable pursuant to 3.1(b)(ii) (Purchase Price);
"Sellers' Accountants"	Bird Luckin, Aquila House, Waterloo Lane, Chelmsford CM1 1BN;
"Sellers' Solicitors"	Maclay Murray & Spens LLP, 151 Vincent Street, Glasgow G2 5NJ;
"Service Agreements"	the employment agreements in agreed form to be entered into between: (a) Sajid Ghani and the Buyer; (b) Mathew Harrowing and the Buyer; and (c) Andrew Mitchell and the Buyer;
"Subsidiary"	in relation to a company wherever incorporated (a holding company) means a "subsidiary" as defined in section 1159 of the Companies Act 2006 and any other company which is a subsidiary (as so defined) of a company which is itself a subsidiary of such holding company; unless the context otherwise requires, the application of the definition of Subsidiary to any company at any time will apply to the company as it is at that time;
"Substantiated Claim"	a Claim in respect of which liability is admitted by the party against whom such Claim is brought, or which has been adjudicated on by a Court of competent jurisdiction and no right of appeal lies in respect of such adjudication, or the parties are debarred by passage of time or otherwise from making an appeal;
"Tax or Taxation"	has the meaning given in Schedule 6 (Tax Covenant);
"Tax Covenant"	the tax covenant as set out in Schedule 6 (Tax Covenant);
"Tax Claim"	has the meaning given in Schedule 6 (Tax Covenant);

"Tax Warranties"	the Warranties in Part 2 of Schedule 5 (Warranties);
"Taxation Authority"	has the meaning given in Schedule 6 (Tax Covenant);
"Taxation Statute"	has the meaning given in Schedule 6 (Tax Covenant);
"TCGA 1992"	the Taxation of Chargeable Gains Act 1992;
"Third Deferred Payment"	the sum of $300,000 constituting part of the Deferred Consideration and being payable pursuant to 3.1(b)(iii) (Purchase Price);
"TMA 1970"	the Taxes Management Act 1970;
"Transaction"	the transaction contemplated by this agreement or any part of that transaction;
"US GAAP"	generally accepted accounting principles applied in the US;
"UK GAAP"	generally accepted accounting principles applied in the UK, incorporating Statements of Standard Accounting Practice, Financial Reporting Standards and Urgent Issues Task Force Abstracts issued by the Accounting Standards Board, in each case as in force at date of this agreement;
"VATA 1994"	the Value Added Tax Act 1994;
"Warranties"	the warranties in clause 6 (Warranties) and Schedule 5 (Warranties);
"Warrantors"	the Management Warrantors and the Paradigm Warrantors;
"Withheld Amount"	has the meaning given in clause 8.1(b) (Rights of Set-Off);
"Year 1"	the period of 12 months commencing on 1 January 2010 and ending on 31 December 2010;
"Year 2"	the period of 12 months commencing on 1 January 2011 and ending on 31 December 2011;
"Year 3"	the period of 12 months commencing on 1 January 2012 and ending on 31 December 2012;
"Year 4"	the period of 12 months commencing on 1 January 2013 and ending on 31 December 2013; and
"Year"	means any of Year 1, Year 2, Year 3 or Year 4.

1.3 Clause and schedule headings do not affect the interpretation of this agreement.

1.4 A **person** includes a corporate or unincorporated body.

1.5 Words in the singular include the plural and in the plural include the singular.

1.6 A reference to one gender includes a reference to the other gender.

1.7 A reference to a particular statute, statutory provision or subordinate legislation is a reference to it as it is in force from time to time taking account of any amendment or re-enactment and includes any statute, statutory provision or subordinate legislation which it amends or re-enacts and subordinate legislation for the time being in force made under it. Provided that, as between the parties, no such amendment or re-enactment made after the date of this agreement shall apply for the purposes of this agreement to the extent that it would impose any new or extended obligation, liability or restriction on, or otherwise adversely affect the rights of, any party.

1.8 **Writing** or **written** includes faxes but not e-mail.

1.9 Documents in **agreed form** are documents in the form agreed by the parties or on their behalf and executed or initialled by them or on their behalf for identification, including, *inter alia*:

(a) the Disclosure Letter;

(b) Service Agreements;

(c) Loan Note Instrument;

(d) Deed of Termination.

1.10 References to clauses and schedules are to the clauses and schedules of this agreement; references to paragraphs are to paragraphs of the relevant schedule.

1.11 Unless otherwise expressly provided, the obligations and liabilities of the Sellers and/or the Warrantors under this agreement are joint and several.

1.12 Reference to this agreement include this agreement as amended or varied in accordance with its terms.

1.13 Unless otherwise expressly provided where it is necessary or desirable in order to apply any provision of this agreement to convert sums expressed or calculated in sterling into dollars the exchange rate applicable shall be the midmarket rate at close of business on the Completion Date as published by Bloomberg.com.

2. Sale and Purchase and Waiver of Pre-emption rights

2.1 On the terms of this agreement, the Sellers shall sell and the Buyer shall buy, with effect from Completion, the Sale Shares with full title guarantee, free from all Encumbrances (whether known or unknown or discoverable or undiscoverable) and together with all rights that attach (or may in the future attach) to them including, in particular, the right to receive all dividends and distributions declared, made or paid on or after 22 October 2009.

2.2 Each of the Sellers severally waives any right of pre-emption or other restriction on transfer in respect of the Sale Shares or any of them conferred on him under the articles of association of the Company or otherwise and shall procure the irrevocable waiver of any such right or restriction conferred on any other person who is not a party to this agreement.

2.3 The Buyer is not obliged to complete the purchase of any of the Sale Shares unless the purchase of all the Sale Shares is completed simultaneously.

3. Purchase Price

3.1 The Purchase Price for the Sale Shares is:

(a) the Initial Consideration to be satisfied in accordance with clause 4.3(a) (Completion) and clause 5 (Determination of Initial Consideration) and Schedule 7 (Completion Accounts); and

(b) subject to clause 9 (Conditions for the Payment of the Purchase Price), the Deferred Consideration, to be satisfied by the issue of Loan Notes by the Buyer to Mathew Harrowing and by the payment of cash to Andrew Mitchell and Sajid Ghani:

(i) as to the First Deferred Payment, on the first anniversary of the Completion Date; and

(ii) as to the Second Deferred Payment, on the second anniversary of the Completion Date; and

(iii) as to the Third Deferred Payment, on the third anniversary of the Completion Date; and

(iv) as to the Fourth Deferred Payment, on the fourth anniversary of the Completion Date; and

(c) subject to clause 9 (Conditions for the Payment of the Purchase Price), the Earn-Out Consideration to be satisfied by the issue of Loan Notes by the Buyer to the Sellers in accordance with Schedule 4 (Earn-Out).

3.2 The Purchase Price shall be due to the Sellers in the amounts or the proportions (as the case may be) set out opposite the Sellers' respective names in Schedule 1 (Particulars of Sellers).

3.3 The procedure and other terms relating to the Earn-Out Consideration are set out in Schedule 4 (Earn-Out).

3.4 The Purchase Price shall be reduced by the amount of any payment made to the Buyer:

(a) for a breach of any Warranty; or

(b) under clause 10 (Indemnities); or

(c) under the Tax Covenant.

3.5 The Buyer undertakes to the Management Sellers that, except with the prior written consent of Management Sellers (not be unreasonably withheld or delayed), the Buyer shall not, during the period commencing on Completion and ending on the Earn-Out End Date (other than disposals, sales or transfers to the Buyer or any subsidiary of the Buyer):

(a) sell or transfer (or allow any subsidiary to sell or transfer) any fixed asset for a consideration of, or having a book value or market value of, more than £500,000 whether by way of a single transaction or a series of transactions; or

(b) sell or otherwise dispose of its entire assets or undertaking or any substantial part thereof;

(c) sell, transfer or otherwise dispose of the shares in the capital of the Company or any interest therein while the Company is the beneficial owner of any material assets of the Business.

without first providing a bank guarantee (reasonably acceptable to the Management Sellers) or a guarantee from the ultimate holding company of the Buyer for the whole amount of the Deferred Consideration and potential Earn-Out Consideration, failing which the full amount of any outstanding Deferred Consideration and any ascertained Earn-Out Consideration shall become immediately due and payable.

4. Completion

4.1 Completion shall take place on the Completion Date:

(a) at the offices of the Buyer's Solicitors; or

(b) at any other place or time as agreed in writing by the Sellers and the Buyer.

4.2 At Completion the Sellers shall:

(a) deliver or cause to be delivered the documents and evidence set out in Part 1 (What the Sellers shall deliver to the Buyer at Completion) of Schedule 3 (Completion); and

(b) procure that a board meeting of the Company is held at which the matters identified in Part 2 (Matters for the board meetings at Completion) of Schedule 3 (Completion) are carried out.

4.3 At Completion the Buyer shall:

(a) pay $2,800,000 on account of the Initial Consideration together with £57,010 on account of the amounts owed by the Company to Paradigm, Paradigm Sellers or Management as at the Completion Date by CHAPS transfer to the Sellers' Solicitors (who are irrevocably authorised by the Sellers to receive the same and such transfer shall be a complete discharge to the Buyer which shall not be obliged to enquire as to the distribution of the same) and otherwise in accordance with clause 3 (Purchase Price);

(b) pay to HSBC the HSBC Amount;

(c) deliver a certified copy of the resolution adopted by the board of directors of the Buyer authorising the Transaction and the execution and delivery by the officers specified in the resolution of this agreement, the Loan Note Instrument and any other documents referred to in this agreement as being required to be delivered by it; and

(d) deliver the Loan Note Instrument duly executed together with duly executed counterparts of the Service Agreements, Deed of Termination and Disclosure Letter.

4.4 As soon as possible, and not later than 5 Business Days after Completion, the Sellers shall send to the Buyer (at the Buyer's registered office for the time being) all records, correspondence, documents, files, memoranda and other papers relating to the Company not required to be delivered at Completion and which are not kept at the Property.

5. Determination of Initial Consideration

5.1 The Initial Consideration shall be $2,800,000 provided that:

(a) where the Completion Net Assets are positive, the Initial Consideration shall be reduced by the amount, if any, by which the magnitude of the Completion Net Debt exceeds the magnitude of the Completion Net Assets by a sum greater than £100,000; and

(b) where the Completion Net Assets are negative, the Initial Consideration shall be reduced by the amount, if any, by which the absolute value of that negative figure when aggregated with the Completion Net Debt exceeds £100,000.

5.2 Within 7 days, starting on the day after agreement or determination of the Completion Accounts and the Initial Consideration in accordance with the provisions of Schedule 7 (Completion Accounts):

(a) if:

(i) the Initial Consideration exceeds the amount of the Completion Payment then, subject to clause 8 (Rights of Set-Off), the Buyer shall pay an amount equal to the excess, to the Sellers in the same proportions as the respective payments to be made to each of the Sellers in respect of the Initial Consideration set out opposite the Sellers' respective names in Schedule 1 (Particulars of Sellers); or

(ii) the amount of the Completion Payment exceeds the amount of the Initial Consideration the Sellers shall repay to the Buyer the amount of the excess; and

(b) the balance of any amounts owed as at the Completion Date from the Company to Paradigm Sellers or Management will be paid (or set off in whole or in part against any amount payable under paragraph (b) above).

5.3 Any payment or repayment to be made under clause 5.2 (Determination of Initial Consideration) shall be made:

(a) if to the Sellers, in the same manner as payments made under clause 4.3(a) (Completion); and

(b) if to the Buyer, by CHAPS transfer to an account notified by the Buyer to the Sellers and if not paid in accordance with the provision of clause 5.2 (Determination of Initial Consideration) may be set-off by the Buyer against any payments falling due to the Sellers under this agreement.

6. Warranties

6.1 The Buyer is entering into this agreement on the basis of, and in reliance on, the Warranties.

6.2 The Management Warrantors, warrant to the Buyer that each Warranty is true, accurate and not misleading on the date of this agreement.

6.3 Subject to clause 6.5 (Warranties) but notwithstanding any other provision of this agreement, the Paradigm Warrantors warrant to the Buyer that so far as the Paradigm

Warrantors are aware each Warranty is true, accurate and not misleading on the date of this agreement.

6.4 Without prejudice to the right of the Buyer to claim on any other basis or take advantage of any other remedies available to it, if any Warranty is breached or is untrue or misleading, the Warrantors liable for such breach shall pay to the Buyer in respect of a Substantiated Claim:

(a) the amount necessary to put the Buyer or the Company into the position it would have been in if the Warranty had not been breached or had not been untrue or misleading; and

(b) all Losses incurred by the Buyer or the Company as a result of such breach or of the Warranty being untrue or misleading (including a reasonable amount in respect of management time).

A payment made in accordance with the provisions of this clause 6.4 (Warranties) shall include any amount necessary to ensure that, after any Taxation of the payment, the Buyer is left with the same amount it would have had if the payment was not subject to Taxation, except to the extent the payment was subject to such Taxation because the Buyer assigned the benefit of this agreement to another party, directed that payment be made otherwise than to the Buyer, or was not resident in the United Kingdom for Tax purposes.

6.5 Warranties qualified by the expression **so far as the Warrantors are aware** or any similar expression:

(a) in the case of the Management Warrantors, are deemed to include an additional Warranty to the effect the Management Warrantors have made reasonable enquiries of each other and of Andrew Lightfoot, Carol O'Brien, Grant Watling and Ian Kirkaldy into the subject matter of such Warranty;

(b) in the case of the Paradigm Warrantors, means the actual awareness of the Paradigm Warrantors having made reasonable enquiries of the Management Sellers into the subject matter of such Warranty.

6.6 Each of the Warranties is separate and, unless otherwise specifically provided, is not limited by reference to any other Warranty or any other provision in this agreement.

6.7 With the exception (and to the extent expressly provided herein) of the matters Disclosed, no information of which the Buyer and/or its agents and/or advisers has knowledge (actual, constructive or imputed) or which could have been discovered (whether by investigation made by the Buyer or made on its behalf) shall prejudice or prevent any Claim or reduce any amount recoverable thereunder.

6.8 The Warrantors agree that any information supplied by the Company or by or on behalf of any of the employees, directors, agents or officers of the Company to the Warrantors or their advisers in connection with the Warranties, the information Disclosed in the Disclosure Letter or otherwise shall not constitute a warranty, representation or guarantee as to the accuracy of such information in favour of the Warrantors, and the Warrantors hereby undertake to the Buyer and to the Company and each Officer that they waive any and all claims which they might otherwise have against any of them in respect of such claims.

7. Liability and Limitations on Claims

7.1 The liability of the Warrantors for all Substantiated Claims and claims under the Tax Covenant when taken together shall not exceed the Purchase Price previously paid or payable in the future to the Sellers, provided that to the extent that such liability exceeds the amount of the Purchase Price already paid to the Sellers at the date such liability is due to be settled the excess shall only be recoverable when and to the extent that further amounts of the Purchase Price subsequently fall due for payment.

7.2 No Warrantor shall be required to make payments for Substantiated Claims and claims under the Tax Covenant in an amount in excess of the amount of the Purchase Price paid or due to that Warrantor (or in the case of Michael McVicar due to Alison McVicar), provided that where such liability exceeds the amount of the Purchase Price already paid to that Warrantor (or in the case of Michael McVicar, by or to Alison McVicar) at the date such liability is due to be settled the excess shall only be recoverable when and to the extent that further amounts of the Purchase Price subsequently fall due for payment to that Warrantor.

7.3 The Warrantors shall not be liable for a Claim unless:

(a) the amount of a Substantiated Claim, or of a series of connected Substantiated Claims of which that Substantiated Claim is one, exceeds $3,000; and

(b) the amount of all Substantiated Claims that are not excluded under clause 7.3(a) (Liability and Limitations on Claims) when taken together, exceeds $75,000 in which case the whole amount (and not just the amount by which the limit in this clause 7.3(b) (Liability and Limitations on Claims) is exceeded) is recoverable by the Buyer.

7.4 The Warrantors are not liable for a Claim to the extent that the liability or loss or other matter (and the monetary consequences thereof) giving rise to the Claim was Disclosed and the Warranties are deemed qualified to such extent.

7.5 The Warrantors are not liable for a Claim unless the Buyer has given the relevant Warrantors notice in writing of the Claim, within the period of 30 months beginning

with the Completion Date in respect of Claims other than Tax Claims and within the period of 6 years beginning with the Completion Date in respect of Tax Claims.

7.6 The Buyer shall together with the notice given under clause 7.5 (Liability and Limitations on Claims) send to the relevant Warrantors a summary of the nature of the Claim and the then anticipated amount (which anticipated amount shall not be binding on the Buyer) of the Claim or state in the notice the fact that the amount of the Claim is uncertain.

7.7 Nothing in this clause 7 (Liability and Limitations on Claims) applies to a Claim or a claim under the Tax Covenant that arises or is delayed as a result of dishonesty, fraud, wilful misconduct or wilful concealment by any Warrantor.

7.8 The Warrantors shall not plead the Limitation Act 1980 in respect of any claims made under the Tax Warranties or Tax Covenant up to 6 years after the Completion Date.

7.9 Any Claim under the Warranties shall (if it has not been previously satisfied, settled or withdrawn) be deemed to have been withdrawn, and all and any liability of the Warrantors in respect of such Claim shall be extinguished, unless proceedings in respect of such Claim have commenced within 12 months of such Claim being notified to the Warrantors.

7.10 The Warrantors' liability in respect of any breach or non fulfilment of the Warranties other than the Tax Warranties shall be extinguished or reduced if and to the extent that:

(a) specific provision or reserve for the matter giving rise to such breach or non-fulfilment is made in the Completion Accounts; or

(b) the Claim would not have arisen but for, or is increased as a result of, an alteration or enactment (other than a re-enactment) of any statute, statutory instrument or regulation or other legislative or regulatory act which was announced or enacted or imposed or became effective on or after the Completion Date, whether with or without retrospective effect, or

(c) the Claim arises as a result of, or is increased by, any changes on or after the Completion Date in UK GAAP or US GAAP; or

(d) the Claim arises as a result of, or is increased by, any changes on or after the Completion Date in the accounting policies or practices of the Company, including, without limitation, the policies and practices in terms of which the Company values its assets, makes provisions or recognises liabilities or the length of any accounting period other than changes necessary because the relevant policy or practice adopted prior to Completion was not in accordance with UK GAAP or any UK law; or

(e) the Claim would not have arisen but for, or is increased as a result of, any voluntary act, omission or transaction of the Buyer or the Company or any other member of the Buyer's Group on or after Completion other than any act, omission or transaction:

(i) in pursuance of any contractual obligation binding on the Company at Completion; or

(ii) in the ordinary and proper course of the Buyer's Group's or Company's business;

(f) the loss in respect of which the Claim is made is reimbursed without any right of relief, set off, subrogation or deduction of excess against the Company or another member of the Buyer's Group under a policy of third party insurance or any other similar form of insurance, (not being any policy of insurance effected to cover breaches of the Warranties) subject to the Warrantors reimbursing the Company on demand for any increase in insurance premiums (not being an amount in excess of any Warrantors' liability set out in clause 7.2) payable as a direct result of seeking reimbursement under such policy.

7.11 Where the Buyer or any member of the Buyer's Group is or may be entitled to recover from some other person any sum in respect of any matter or event which has given rise to a Claim which the Warrantors shall have previously satisfied in full (including all related costs and expenses), the person so entitled shall use reasonable commercial endeavours to recover that sum (subject first to being indemnified to their reasonable satisfaction against all costs and expenses (including (in respect of indemnification only) in the case of a claim under any insurance policy as to any increase in premiums which may result) which it or they may reasonably incur thereby) and the Buyer will account to the Seller for the lesser of:

(a) the sum so received (net of any Taxation payable hereon and the proper and reasonable costs of effecting the recovery); and

(b) the sum paid by the relevant Warrantors in satisfaction of the Claim.

7.12 The Warrantors shall not be liable in respect of any claim for any alleged breach or non-fulfilment of any of the Warranties or under the Tax Covenant to the extent that such claim arises as a result of the Buyer assigning or purporting to assign any of its rights under this agreement other than pursuant to clause 15.

7.13 If any Warrantor has paid any amount to the Buyer or a member of the Buyer's Group in full satisfaction of any Claim or claim under the Tax Covenant (including all related proper and reasonable costs and expenses), and the Buyer or any member of the Buyer's Group receives any payment in respect of the same matter giving rise to the Claim or the claim under the Tax Covenant from any third party (other than

any insurer), then the Buyer shall pay, or shall ensure that the relevant member of the Buyer's Group pays, to the relevant Warrantor(s) an amount equal to the lesser of:

(i) the amount paid by the relevant Warrantor(s); and

(ii) the amount of the payment from the third party net of any Tax payable hereon and any costs incurred in obtaining such payment.

7.14 The Warrantors shall be under no liability in respect of any breach or non fulfilment of the Warranties or under any claim under the Tax Covenant or the Indemnities if and to the extent that the loss occasioned thereby or arising out of the same set of circumstances has been recovered under any other provision of this agreement, including any of the other Warranties, the Tax Covenant or the Indemnities.

7.15 For the avoidance of doubt, nothing in this agreement shall in any way restrict or limit the general obligation at law of the Buyer and/or the Company to mitigate any loss or damage which they may respectively suffer in consequence of any breach or non-fulfilment by the Warrantors of the Warranties and the Buyer undertakes to take, and procure that the Company and each other relevant member of the Buyer's Group takes, reasonable steps to avoid and/or mitigate their loss or damage and the Warrantors' liability in consequence of any matter giving to a claim under the Warranties.

7.16 A Claim may be made under the Warranties in respect of a contingent liability provided that no liability under the Warranties shall arise in respect of such contingent liability until such contingent liability becomes an actual liability and provided that such Claim has been notified to the Warrantors in accordance with clause 7.5, the 12 month period referred to in clause 7.9 shall be deemed to have commenced on the date on which the said liability ceases to be contingent.

7.17 The Buyer hereby acknowledges and agrees that none of the Warrantors nor any person on their behalf makes any representation or promise or gives any warranty, assurance or undertaking to the Buyer or any member of the Buyer's Group with respect to the matters provided for in this agreement other than as expressly set out in this agreement. The Buyer hereby further acknowledges and admits that it has not entered into this agreement (or any of the documents referred to in it or executed at Completion) in reliance on any representation, promise, warranty, assurance or undertaking, written or oral to or by whomsoever made other than the Warranties and undertakings expressly contained in this agreement.

The Buyer warrants to the Sellers and Michael McVicar that there are no facts (save as disclosed in the Disclosure Letter) within the knowledge of the Buyer at the date of this agreement in respect of which the Buyer has the current intention of making a claim under this agreement or the Tax Covenant.

7.18 If a claim is made against the Company for which or as a result of which the Warrantors may be liable under the Warranties the Buyer or the Company shall, within 21 days after concluding that the claim is of that nature, give written notice thereof to the Warrantors above and:

(a) shall invite the Management Sellers' Representative and/or Paradigm Sellers' Representative (as appropriate) to give their views and (in addition to their duty to mitigate set out in clause 7.15) both the Buyer and the Company shall give due consideration to any such views before making any admission of liability, agreement, settlement or compromise in relation thereto; and

(b) each of them shall invite the Management Sellers' Representative and/or the Paradigm Sellers' Representative (as appropriate) from time to time, to give their views as to action they may be contemplating to avoid, resist, appeal, compromise, defend, mitigate or otherwise deal with the claim or the liability the subject thereof and (in addition to their duty to mitigate set out in clause 7.15) both the Buyer and the Company shall give due consideration to such views.

7.19 The Warrantors' liability in respect of any breach or non-fulfilment of the Tax Warranties shall be extinguished or reduced to the extent provided for in paragraph 4.1 of the Tax Covenant.

8. Rights of Set-off

8.1 If the Buyer has any bona fide claim of whatever nature under this agreement or any document referred to in this agreement (a **"Bona Fide Claim"**) for which a Seller may be liable which on any Payment Date has not been paid or satisfied in accordance with the terms of this agreement then:

(a) if the Bona Fide Claim is a Determined Claim then the Buyer shall be entitled to:

(i) in the case of cash payment, deduct from any such payment under this agreement or due on redemption of Loan Notes issued to that Warrantor on that Payment Date an amount equal to; and

(ii) in the case of payments yet to be made to that Warrantor or by the issue of Loan Notes, reduce the aggregate redemption value of the Loan Notes to be issued to that Warrantor;

in aggregate the amount (including costs forming that part of the Determined Claim) due from such Warrantor in respect of such Determined Claim and the amount of the deduction or reduction (as the case may be) will pro tanto satisfy the liability concerned;

(b) if the Bona Fide Claim is not a Determined Claim:

(i) the Buyer shall be entitled to withhold an amount (the '**Withheld Amount**') from any cash payment due on that Payment Date to that Warrantor under this agreement or due on redemption of Loan Notes originally issued to that Warrantor until such time as the Bona Fide Claim is or becomes a Determined Claim, provided that the Buyer shall notify the Warrantor or, if different, the holder of the relevant Loan Notes in writing its estimate of the amount of such Withheld Amount accompanied by the written opinion of Counsel of not less than 7 years' call to the effect that it has at least a 50% chance of succeeding with such claim to at least the extent of the Withheld Amount; and

(ii) the Withheld Amount shall be the alleged amount of the Bona Fide Claim less the redemption value of any Loan Notes in issue on the Payment Date which are not due to be redeemed on such Payment Date being Loan Notes originally issued to that Warrantor;

(c) when any Bona Fide Claim in respect of which there exists a Withheld Amount becomes a Determined Claim, then an amount equal to the liability of the relevant Warrantor (including any liability in respect of costs) shall be deemed to be set-off against and to satisfy pro tanto the original payment in respect of which it was withheld and the balance (if any) of the withheld amount shall be paid (with interest on that sum at the rate actually earned on deposit for the period beginning with the date on which the part of the Purchase Price would have otherwise been due and ending with the date the sum is paid (and the period shall continue after as well as before judgement)) within 20 Business Days provided that no other Bona Fide Claim shall then be outstanding.

8.2 For the avoidance of doubt:

(a) nothing contained in this clause 8 (Rights of Set-Off) shall prejudice or limit the right of the Buyer to make any claim in respect of any breach of the Warranties or the Indemnities or otherwise under the provisions of this agreement; and

(b) the par value of the notes will not be reduced by any withholding or set-off made pursuant to this clause 8 (Rights of Set-Off). Any such withholding or set-off will apply to the proceeds arising from redemption and only the balance remaining after such withholding or set-off shall be paid to the relevant Noteholder.

8.3 The provisions of this clause 8 (Rights of Set-Off) shall apply notwithstanding any provisions to the contrary in the Loan Note Instrument.

9. conditions for payment of the purchase price

9.1 The conditions of this clause 9 shall apply to the payment of any Deferred Consideration and/or Earn-Out Consideration.

9.2 If, as at a Payment Date:

(a) a Management Seller is no longer employed by the Company or the Buyer or a member of the Buyer's Group as a result of dismissal (or the relevant employer has given notice to terminate the relevant employment) and the Management Seller has been guilty of gross misconduct, being conduct so serious as to justify summary dismissal because the Management Seller's conduct materially compromised (or, in the reasonable opinion of the Buyer, if it were known by the relevant persons and if that Management Seller were to remain an employee of that company would be likely to materially compromise) the employing company's standing (or that of any other member of the Buyer's Group) within the business community and/or the Management Seller's standing within the employing company or any other member of the Buyer's Group; or

(b) a Management Seller has resigned or given notice to resign from his employment by the Company or the Buyer or a member of the Buyer's Group (other than in circumstances amounting to constructive dismissal where the Management Seller is not guilty of the conduct set out in paragraph (a), above); or

(c) a Management Seller has committed a material breach of the restrictions placed on him under clause 11 (Restrictions on Sellers); or

(d) in Sajid Ghani's case, he fails after 6 months from the Completion Date to habitually use during the business week a place of residence within 50 miles of Central London (or as may otherwise be agreed from time to time in writing between Sajid Ghani and the Buyer); or

(e) in Mathew Harrowing's case, he fails to relocate to Atlanta, Georgia as and when the Buyer may reasonably require (allowing reasonable time for appropriate arrangements to be made), where:

(i) it is possible for him to obtain permission from US immigration authorities to lawfully do so; and

(ii) a member of the Buyer's Group has offered to employ him under a contract on terms no less favourable than his employment contract with the Buyer and on terms comparable to those applicable to employees of the Buyer's Group of a comparable position,

such Management Seller shall have no right to payment of any of the Deferred Consideration or of Earn-Out Consideration due for payment on such Payment Date or any future Payment Date.

9.3 Where a Management Seller is not entitled to payment of any part of the Deferred Consideration or the Earn-Out Consideration as a result of the operation of clause 9.2 (Conditions for the Payment of the Purchase Price) no other Seller shall be entitled to payment of that part of such Deferred Consideration or Earn-Out Consideration to which such Management Seller would have been entitled had the provisions of such clause not applied and the Purchase Price shall be reduced pro tanto.

10. Indemnities

10.1 The Management Warrantors and, in respect of the Indemnities in clauses 10.1 (e), (f) and (g) only, the Paradigm Warrantors, undertake to indemnify, and to keep indemnified, the Buyer from time to time against all Losses which may be suffered or incurred by the Buyer, the Company or any member of the Buyer's Group and which arise in connection with the following matters:

(a) any claim made by any third party that the Company Intellectual Property Rights or the use of the IT System in the way it is currently used infringe any Intellectual Property Rights of any third party;

(b) any failure by the Company on or before Completion to obtain from any employees or contractors who are or have been involved in or have contributed to the development of any software or other intellectual property developed for the use of or otherwise at the request of the Company an effective absolute legal and equitable assignment to the Company of the Intellectual Property Rights relating to such software and intellectual property and to any materials produced in relation to such software and intellectual property;

(c) any claim (whether contractual or statutory) arising out of the termination of the employment:

(i) by the Company of any of the Warrantors at or as a consequence of Completion; or

(ii) by the Buyer as a consequence of Mathew Harrowing relocating to the USA, being a claim for redundancy or unfair dismissal only due to the termination of his UK contract of employment where he has been offered employment by another Buyer Group company on terms no less favourable than his employment contract with the Buyer and on terms comparable to those applicable to employees of the Buyer's Group of a comparable position);

(d) the use or holding for use or future exploitation by the Company of any Company Intellectual Property Rights in respect of which the Company requires but has not obtained prior to the date of this agreement any licence, permission, consent or other agreement from any third party;

(e) any claim made by IBM against the Company for fees paid to the Company by IBM for recovery audit work in respect of DVLA undertaken by the

Company as a subcontractor for IBM relating to the accuracy of a tax recovery item referred to in the Disclosure Letter;

(f) any claim by employees arising from any failure prior to Completion by the Company to provide pension and health benefits in accordance with agreements made with them;

(g) any claim within 12 months of the Completion Date for breach of the repairing covenants or for dilapidations under the Lease in so far as claims relate to the period prior to Completion and the value of which exceeds £10,000.

10.2 For the avoidance of doubt, the indemnities set out in this clause 10 (Indemnities) shall not be subject to the provisions of clause 7 (Liability and Limitations on Claims) and shall not be qualified by anything contained or referred to in the Disclosure Letter or the Disclosure Bundle. The only limitations applicable to the indemnities set out in clause 10.1 (Indemnities) shall be those set out in clause 10.3 to 10.9 (Indemnities) (inclusive).

10.3 The liability of the Management Warrantors for all claims under clause 10.1 (Indemnities) taken together shall not exceed in aggregate the Purchase Price previously paid or payable in the future to the Management Warrantors, provided that to the extent that such liability exceeds the amount of the Purchase Price already paid to the Management Warrantors at the date such liability is due to be settled the excess shall only be recoverable when and to the extent that further amounts of the Purchase Price subsequently fall due for payment.

10.4 No Management Warrantor shall be required to make payments for a claim under clause 10.1 (Indemnities) in an amount in excess of the amount of the Purchase Price paid or due to that Management Warrantor, provided that where such liability exceeds the amount of the Purchase Price already paid to that Management Warrantor at the date such liability is due to be settled the excess shall only be recoverable when and to the extent that further amounts of the Purchase Price subsequently fall due for payment to that Management Warrantor.

10.5 The Warrantors are not liable for a claim under clause 10.1 (Indemnities) unless the Buyer has given the relevant Warrantors notice in writing of that claim, within the period of 30 months beginning with the Completion Date.

10.6 The Warrantors shall not be liable in respect of any claim under this clause 10 (Indemnities) to the extent that such claim arises as a result of the Buyer assigning or purporting to assign any of its rights under this agreement other than pursuant to clause 15 (Assignment).

10.7 If any Warrantor has paid any amount to the Buyer or a member of the Buyer's Group in full satisfaction of any claim under the Indemnities (including all related proper and reasonable costs and expenses), and the Buyer or any member of the Buyer's Group receives any payment in respect of the same matter giving rise to the claim from any third party (other than any insurer), then the Buyer shall pay, or shall ensure that the relevant member of the Buyer's Group pays, to the relevant Warrantor(s) an amount equal to the lesser of:

(a) the amount paid by the relevant Warrantor(s); and

(b) the amount of the payment from the third party net of any Tax payable hereon and any costs incurred in obtaining such payment.

10.8 A Claim may be made under the Indemnities in respect of a contingent liability provided that no liability under the Indemnities shall arise in respect of such contingent liability until such contingent liability becomes an actual liability and provided that such claim has been notified to the Warrantors in accordance with clause 10.5 (Indemnities).

10.9 Notwithstanding any other provision of this agreement, the Warrantors shall be under no liability in respect of any breach or non fulfilment of the Warranties or under any claim under the Tax Covenant or the Indemnities if and to the extent that the loss occasioned thereby or arising out of the same set of circumstances has been recovered under any other provision of this agreement, including any of the other Warranties, the Tax Covenant or the Indemnities.

10.10 Any payment made in respect of a claim under this clause 10.1 (Indemnities) shall include:

(a) an amount in respect of all costs and expenses properly and reasonably incurred by the Buyer in relation to the bringing of the claim; and

(b) any amount necessary to ensure that, after any Taxation of the payment, the payee is left with the same amount it would have had if the payment was not subject to Taxation, unless the payment was subject to Taxation because the Buyer assigned the benefit of this agreement to another party, directed that payment be made otherwise than to the Buyer or was not resident in the United Kingdom for Tax purposes.

11. Restrictions on Sellers and Michael McVicar

11.1 Each of the Sellers and Michael McVicar severally covenants with the Buyer that such person shall not:

(a) at any time during the Relevant Period and within the Relevant Territory, carry on or be employed, engaged or interested in any business which would be in competition with any part of the Business; or

(b) at any time during the Relevant Period, canvass, solicit or otherwise seek the custom of any person who is at the Completion Date, or who has been at any time during the period of 12 months immediately preceding that date, a client or customer of the Company; or

(c) at any time during the Relevant Period:

(i) offer employment to, enter into a contract for the services of, or attempt to entice away from the Company or any member of the Buyer's Group, any individual who was at the Completion Date, employed or directly or indirectly engaged in an executive or managerial position with the Company and who is at the time of the offer or attempt employed or directly or indirectly engaged in an executive or managerial position with the Company or any other member of the Buyer's Group; or

(ii) procure or facilitate the making of any such offer or attempt by any other person; or

(d) at any time during the Relevant Period use (in connection with a business other than a business of any member of the Buyer's Group):

(i) the word "Etesius"; or

(ii) any trade or service mark, business or domain name, design or logo which, at Completion, was or had been used by the Company (including without limitation the name "SpendGuardian"); or

(iii) anything which is, in the reasonable opinion of the Buyer, capable of confusion with such words, mark, name, design or logo; or

(e) at any time the Relevant Period, solicit or entice away from the Company any supplier to the Company who had supplied goods and/or services to the Company at any time during the 12 months immediately preceding the Completion Date, if that solicitation or enticement causes or would cause such supplier to cease supplying, or materially reduce its supply of, those goods and/or services to the Company.

11.2 The "**Relevant Period**" for the purposes of this clause 11 (Restrictions on Sellers and Michael McVicar) means:

(a) in the case of any action by any Management Seller, a period commencing on Completion and ending on the later of:

(i) 2 years after the date on which the relevant Management Seller ceases to be in the Buyer's or a member of the Buyer's Group's employment; or

(ii) 18 months after the date on which the relevant Management Seller last receives confidential information of the Buyer provided for the

purpose of determining any payment of Earn-Out Consideration; and

(b) in the case of any action of any Paradigm Sellers, the period commencing on Completion and ending 2 years following the Completion Date.

11.3 The "Relevant Territories" for the purposes of this clause 11 (Restrictions on Sellers and Michael McVicar) means the State of Georgia in the United States, the United States, United Kingdom, the European Economic Area and the European Union.

11.4 The covenants in this clause 11 (Restrictions on Sellers and Michael McVicar) are intended for the benefit of the Buyer, the Company and the Buyer's Group and apply to actions carried out by the Sellers in any capacity and whether directly or indirectly, on the Sellers' own behalf, on behalf of any other person or jointly with any other person.

11.5 Nothing in this clause 11 (Restrictions on Sellers and Michael McVicar) prevents the Sellers or any of them from holding for investment purposes only:

(a) any units of any authorised unit trust; or

(b) not more than 3% of any class of shares or securities of any company traded on a recognised investment exchange.

11.6 Each of the covenants in this clause 11 (Restrictions on Sellers and Michael McVicar) is a separate undertaking by each Seller in relation to himself and his interests and shall be enforceable by the Buyer separately and independently of its right to enforce any one or more of the other covenants contained in this clause 11 (Restrictions on Sellers and Michael McVicar). Each of the covenants in this clause 11 (Restrictions on Sellers and Michael McVicar) is considered fair and reasonable by the parties, but if any restriction is found to be unenforceable, but would be valid if any part of it were deleted or the period or area of application reduced, the restriction shall apply with such modifications as may be necessary to make it valid and enforceable.

11.7 The consideration for the undertakings contained in this clause 11 (Restrictions on Sellers and Michael McVicar) is included in the Purchase Price.

12. Tax Covenant

The Provisions of Schedule 6 (Tax Covenant) apply in this agreement.

13. Confidentiality and Announcements

13.1 Each of the Warrantors severally undertakes to the Buyer to keep confidential the terms of this agreement and all information which they have acquired about the Company and the Buyer's Group on or prior to the date of this agreement or subsequently acquire as a consequence of the provisions relating to the Earn-Out Consideration, and to use the information only for the purposes contemplated by this agreement.

13.2 The Buyer undertakes to each of the Warrantors to keep confidential the terms of this agreement and all information that it has acquired about that Warrantor and to use the information only for the purposes contemplated by this agreement.

13.3 Subject to clause 13.2, the Buyer does not have to keep confidential or restrict its use of information about the Company after Completion.

13.4 A party does not have to keep confidential or to restrict its use of:

(a) information that is or becomes public knowledge other than as a direct or indirect result of a breach of this agreement; or

(b) information that it receives from a source not connected with the party to whom the duty of confidence is owed that it acquires free from any obligation of confidence to any other person.

13.5 Any party may disclose any information that it is otherwise required to keep confidential under this clause 13 (Confidentiality and Announcements):

(a) to such professional advisers, consultants and employees or officers of its Group as are reasonably necessary to advise on this agreement, or to facilitate the Transaction, if the disclosing party procures that the people to whom the information is disclosed keep it confidential as if they were that party; or

(b) with the written consent of all the other parties; or

(c) to the extent it is information contained in an announcement in agreed form;

(d) to the extent that the disclosure is required:

(i) by law; or

(ii) by a regulatory body, Taxation Authority or securities exchange; or

(iii) to make any filing with, or obtain any authorisation from, a regulatory body, Taxation Authority or securities exchange; or

(iv) under any arrangements in place under which negotiations relating to terms and conditions of employment are conducted; or

(v) to protect the disclosing party's interest in any legal proceedings,

but the Warrantors and (in the case of sub-paragraphs (d) (iv) and (v) only) the Buyer shall use reasonable endeavours to consult the Buyer or the Paradigm Sellers' Representative (as the case may be) and to take into account any reasonable requests it may have in relation to the disclosure before making it.

13.6 Each party shall supply any other party with any information about itself, its Group or this agreement as such other party may reasonably require for the purposes of satisfying the requirements of a law, regulatory body or securities exchange to which such other party is subject.

14. Further Assurance

The Warrantors shall (at their expense) promptly execute and deliver all such documents, and do all such things, as the Buyer may from time to time reasonably require for the purpose of giving full effect to the transfer of the Sale Shares.

15. Assignment

15.1 Except as provided otherwise in this agreement, no party may assign, or grant any Encumbrance or security interest over, any of its rights under this agreement or any document referred to in it.

15.2 Each party that has rights under this agreement is acting on its own behalf.

15.3 The Buyer may assign its rights under this agreement (or any document referred to in this agreement) but not its obligations to a member of its Group.

15.4 If there is an assignment:

(a) the Warrantors may discharge their obligations under this agreement to the assignor until they receive notice of the assignment; and

(b) the assignee may enforce this agreement as if it were a party to it, but the Buyer shall remain liable for any obligations under this agreement.

16. Whole Agreement

16.1 This agreement, and any documents referred to in it, constitute the whole agreement between the parties and supersede any arrangements, understanding or previous agreement between them relating to the subject matter they cover. In particular, the Buyer acknowledges that none of the Warrantors nor Alison McVicar makes any representation or promise or gives any warranty, assurance or undertaking to the Buyer or any member of the Buyer's Group other than as expressly set out in this agreement.

16.2 Nothing in this clause 16 (Whole Agreement) operates to limit or exclude any liability for fraud.

17. Variation and Waiver

17.1 Any variation of this agreement shall be in writing and signed by or on behalf of the parties.

17.2 Any waiver of any right under this agreement is only effective if it is in writing and it applies only to the party to whom the waiver is addressed and to the circumstances for which it is given and shall not prevent the party who has given the waiver from subsequently relying on the provision it has waived.

17.3 A party that waives a right in relation to one party, or takes or fails to take any action against that party, does not affect its rights in relation to any other party.

17.4 No failure to exercise or delay in exercising any right or remedy provided under this agreement or by law constitutes a waiver of such right or remedy or shall prevent any future exercise in whole or in part thereof.

17.5 No single or partial exercise of any right or remedy under this agreement shall preclude or restrict the further exercise of any such right or remedy.

17.6 Unless specifically provided otherwise, rights arising under this agreement are cumulative and do not exclude rights provided by law.

18. Costs

Unless otherwise provided, all costs in connection with the negotiation, preparation, execution and performance of this agreement, and any documents referred to in it, shall be borne by the party that incurred the costs.

19. Notice

19.1 A notice given under this agreement:

(a) shall be in writing in the English language (or be accompanied by a properly prepared translation into English);

(b) shall be sent for the attention of the person, and to the address or fax number, specified in this clause 19 (Notice) (or such other address, fax number or person as each party may notify to the others in accordance with the provisions of this clause 19 (Notice)); and

(c) shall be:

(i) delivered personally; or

(ii) sent by fax; or

(iii) sent by pre-paid first-class post or recorded delivery; or

(iv) (if the notice is to be served by post outside the country from which it is sent) sent by airmail.

19.2 Any notice to be given to or by all of the Management Sellers under this agreement is deemed to have been properly given if it is given to or by the Management Sellers' representative ("**Management Sellers' Representative**") named in clause 19.4(a) (Notice). Any notice required to be given to or by some only of the Management Sellers shall be given to or by the Management Sellers concerned (and in the case of a notice to the Management Sellers) at their address as set out in Schedule 1 (Particulars of Sellers).

19.3 Any notice to be given to or by all of the Paradigm Sellers and Michael McVicar under this agreement is deemed to have been properly given if it is given to or by the Paradigm Sellers' representative ("**Paradigm Sellers' Representative**") named in clause 19.4(b) (Notice). Any notice required to be given to or by some only of the Paradigm Sellers shall be given to or by the Paradigm Sellers concerned (and in the case of a notice to the Paradigm Sellers) at their address as set out in Schedule 1 (Particulars of Sellers).

19.4 The addresses for service of notice are:

(a) the Management Sellers' Representative

(i) name: Sajid Ghani

(ii) address: 3 Penylan Oval, Cyncoed, Cardiff, Wales CF23 6AU

(iii) copy to: Alastair Wyper, Maclay Murray & Spens LLP

(iv) address: 66 Queen's Road, Aberdeen AB15 4YE

(v) fax number: 01224 356 131

(b) the Paradigm Sellers' Representative

(i) name: Michael McVicar

(ii) address: Oaklands High Street, Whixley, York YO26 8AW

(iii) fax number: 0871 431 0462

(iv) copy to: Alastair Wyper, Maclay Murray & Spens LLP

(v) address: 66 Queen's Road, Aberdeen AB15 4YE

(vi) fax number: 01224 356 131

(c) the Buyer: PRGX UK Ltd

(i) address: First Floor, 731 Capability Green, Luton, Bedfordshire LU1 3LU

(ii) for the attention of Joseph Kelly with a copy to Victor A. Allums at PRGX Global, Inc., 600 Galleria Parkway, Suite 100, Atlanta, Georgia 30339, USA.

19.5 A notice is deemed to have been received:

(a) if delivered personally, at the time of delivery; or

(b) in the case of fax, at the time of transmission; or

(c) in the case of pre-paid first class post or recorded delivery 2 days from the date of posting; or

(d) in the case of airmail, 5 days from the date of posting; or

(e) if deemed receipt under the previous paragraphs of this clause 19.5 (Notice) is not within business hours (meaning 9.00 am to 5.30 pm Monday to Friday on a day that is not a public holiday in the place of receipt), when business next starts in the place of receipt.

19.6 To prove service, it is sufficient to prove that the notice was transmitted by fax to the fax number of the party or, in the case of post, that the envelope containing the notice was properly addressed and posted.

20. Interest on Late Payment

20.1 Where a sum is required to be paid under this agreement (other than under the Tax Covenant) but is not paid before or on the date the parties agreed, the party due to pay the sum shall also pay an amount equal to interest on that sum for the period beginning with that date and ending with the date the sum is paid (and the period shall continue after as well as before judgment).

20.2 The rate of interest shall be 12% per annum above the base lending rate for the time being of The Royal Bank of Scotland plc. Interest shall accrue on a daily basis and be compounded quarterly.

20.3 This clause 20 (Interest on Late Payment) is without prejudice to any claim for interest under the law.

21. Severance

21.1 If any provision of this agreement (or part of a provision) is found by any court or administrative body of competent jurisdiction to be invalid, unenforceable or illegal, the other provisions shall remain in force.

21.2 If any invalid, unenforceable or illegal provision would be valid, enforceable or legal if some part of it were deleted, the provision shall apply with whatever modification is necessary to give effect to the commercial intention of the parties.

22. Agreement Survives Completion

This agreement (other than obligations that have already been fully performed) remains in full force after Completion and no party shall be entitled to terminate or rescind this agreement following Completion.

23. Third Party Rights

23.1 This agreement and the documents referred to in it are made for the benefit of the parties and their successors and permitted assigns and are not intended to benefit, or be enforceable by, anyone else save to the extent specifically provided for in this agreement.

23.2 Each of the parties represents to the others that their respective rights to agree any amendment, variation, waiver or settlement under this agreement are not subject to the consent of any person that is not a party to this agreement.

24. Successors

The rights and obligations of the Sellers and the Buyer under this agreement shall continue for the benefit of, and shall be binding on, their respective successors and assigns.

25. Counterparts

This agreement may be executed in any number of counterparts, each of which is an original and which together have the same effect as if each party had signed the same document.

26. Language

If this agreement is translated into any language other than English, the English language text shall prevail.

27. Governing Law and Jurisdiction

27.1 This agreement and any disputes or claims arising out of or in connection with its subject matter or formation (including non-contractual disputes or claims) are governed by and construed in accordance with the law of England.

27.2 The parties irrevocably agree that the courts of England have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this agreement or its subject matter or formation (including non-contractual disputes and claims).

This agreement has been entered into on the date stated at the beginning of it.

Signed by **SAJID GHANI**	/s/ Sajid Ghani
Signed by **CLIFFORD HERBERTSON**	/s/ Michael McVicar, as Attorney
Signed by **MATHEW HARROWING**	/s/ Sajid Ghani, as Attorney
Signed by **ALISON MCVICAR**	/s/ Michael McVicar, as Attorney
Signed by **MICHAEL MCVICAR**	/s/ Michael McVicar
Signed by **ANDREW MITCHELL**	/s/ Andrew Mitchell
Signed by **JOSEPH KELLY** the duly authorised attorney of **PRGX UK LTD**	/s/ Joseph Kelly

Exhibit 10.26

2009 PRG-Schultz
Performance Bonus Plan

Please note that information contained in this document is proprietary and confidential, as defined in your employment agreement and/or the PRG-Schultz Employee Handbook. Employees are reminded that confidential, sensitive or proprietary information concerning PRG-Schultz must not be used in any manner that is unauthorized or detrimental to the best interests of PRG-Schultz. No unauthorized distribution is permitted.

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I. Plan Overview

A. Philosophy

PRG-Schultz, as an organization of professionals, believes that its senior leaders should have common objectives and should share together in the profits created by their combined efforts as a team. In addition, the company wants to encourage its leadership to achieve desired results and to strive for excellence through exemplary behaviors, creativity, innovation and teamwork.

B. Plan Objectives

The PRG-Schultz 2009 Performance Bonus Plan (the Plan) promotes the following:

- Achievement of PRG-Schultz business and financial objectives
- Collaboration throughout the organization
- Customer/client relations
- Development of PRG-Schultz leaders

C. Effective Period

The Plan is effective from January 1, 2009 through December 31, 2009.

D. Eligibility

Full-time, salaried PRG-Schultz employees whose positions are assigned a Level 14E or higher in the PRG-Schultz U.S. salary grade structure and employees that hold positions of a comparable level in PRG-Schultz's non-U.S. operations are eligible to participate in the Plan (Bonus Eligible Employees). The term "Bonus Eligible Positions" refers to the positions described in this paragraph.

II. Plan Description

The Plan provides for a bonus payment in 2010 (payable in a lump sum, net of tax withholdings, on or before March 15, 2010) to Bonus Eligible Employees upon the achievement by the company and, in certain cases, the business unit of the Bonus Eligible Employees of certain 2009 financial objectives, subject also to the achievement of certain management-based objectives (MBOs) for the CEO and certain of the CEO's direct reports.

A. Target Bonus and Maximum Bonus

Each Bonus Eligible Position has associated with it a specific target bonus (Target Bonus) and a maximum bonus (Maximum Bonus).

The sum of the Target Bonuses for all Bonus Eligible Positions is the "<u>Target Bonus Pool</u>" for the company as a whole. The sum of the Maximum Bonuses for all Bonus Eligible Positions is the "<u>Maximum Bonus Pool</u>" for the company as a whole.

B. Actual Bonus to be Paid: The Concept

The actual bonus to be paid to any Bonus Eligible Employee will be a function of the following factors:

- The Total Bonus Pool (based on the adjusted EBITDA for 2009 of the company as described below) earned by the company for payment to Bonus Eligible Employees as a group. The sum of all bonuses paid to all Bonus Eligible Employees under the Plan cannot, under any circumstances, exceed the Total Bonus Pool. The Total Bonus Pool cannot, under any circumstances, exceed the Maximum Bonus Pool.
- The Business Unit to which the Bonus Eligible Employee is assigned and whether or not the Bonus Eligible Employee has been assigned MBOs. For purposes of this Plan, there are four Business Units (with Recovery Audit further subdivided by geographic region — United States, Canada, Latin America, Europe and Asia-Pacific — or some combination of such listed geographic regions):
  - Corporate/Functional
  - Recovery Audit (by geographic region)
  - New Services/Consulting
  - Healthcare
- For Bonus Eligible Employees without MBOs in the Recovery Audit (by geographic region) and Healthcare Business Units, the adjusted EBITDA for 2009 of the Business Unit to which the Bonus Eligible Employee is assigned compared to the budgeted adjusted EBITDA for 2009 of the Business Unit.
- For Bonus Eligible Employees without MBOs in the New Services/Consulting Business Unit, the adjusted EBITDA and revenues for 2009 of the Business Unit compared to the budgeted adjusted EBITDA and revenues for 2009 of the Business Unit.
- For Bonus Eligible Employees with MBOs in the Recovery Audit (by geographic region) and Healthcare Business Units, the adjusted EBITDA for 2009 of the Business Unit to which the Bonus Eligible Employee is assigned compared to the budgeted adjusted EBITDA

for 2009 of the Business Unit and the achievement of the MBOs assigned to the Bonus Eligible Employee.

- For Bonus Eligible Employees with MBOs in the New Services/Consulting Business Unit, the adjusted EBITDA and revenues for 2009 of the Business Unit compared to the budgeted adjusted EBITDA and revenues for 2009 of the Business Unit and the achievement of the MBOs assigned to the Bonus Eligible Employee.
- For Bonus Eligible Employees with MBOs in the Corporate/Functional Business Unit, the achievement of the MBOs assigned to the Bonus Eligible Employee.
- The portion of the Total Bonus Pool then allocated to each Bonus Eligible Employee.

C. Calculation of Total Bonus Pool

For purposes of this Plan the term "adjusted EBITDA" means earnings before (1) interest, taxes, depreciation and amortization and (2) unusual and other significant items that management views as distorting operating results, such as severance expenses, expenses associated with dark leases, and stock-based compensation expenses.

The Total Bonus Pool is a function of the company's total adjusted EBITDA for 2009 as compared to the total adjusted EBITDA for 2009 included in the company's 2009 budget approved by the company's board of directors ($30,483,000).

If actual 2009 adjusted EBITDA is less than 85% of the budgeted adjusted EBITDA for 2009 ($25,911,000), the Total Bonus Pool available for payment of bonuses under this Plan will be zero.

If actual 2009 adjusted EBITDA is equal to 85% of the budgeted adjusted EBITDA for 2009 ($25,911,000), the Total Bonus Pool available for payment of bonuses under this Plan will be equal to 50% of the Target Bonus Pool.

If actual 2009 adjusted EBITDA is equal to 100% of the budgeted adjusted EBITDA for 2009 ($30,483,000), the Total Bonus Pool available for payment of bonuses under this Plan will be equal to the Target Bonus Pool.

If actual 2009 adjusted EBITDA is equal to or greater than 115% of the budgeted adjusted EBITDA for 2009 ($35,055,000), the Total Bonus Pool available for payment of bonuses under this Plan will be equal to the Maximum Bonus Pool.

If actual 2009 adjusted EBITDA is between 85% and 100% or between 100% and 115% of the budgeted adjusted EBITDA for 2009, the Total Bonus Pool available for payment of bonuses under this Plan will be calculated on a pro rata basis consistent with the foregoing determinations of the Total Bonus Pool. Notwithstanding anything to the contrary in this Plan, under no circumstances will the Total Bonus Pool exceed the Maximum Bonus Pool.

D. Calculation of Initial Bonus Amounts

Step 1 — All Business Units.

The Total Bonus Pool determined in II.C. above shall be allocated preliminarily among all Bonus Eligible Employees, pro rata, based on the respective Target or Maximum Bonus, or portion thereof, of each Bonus Eligible Employee that comprises the Total Bonus Pool. The preliminary bonus allocated to each Bonus Eligible Employee in this Step 1 then will be adjusted as described in Steps 2 through 7 below to determine the initial bonus amount for each Bonus Eligible Employee, which then will be used to allocate a portion of the Total Bonus Pool to the Bonus Eligible Employee in II.E. below.

Step 2 — Recovery Audit and Healthcare Business Units (Without MBOs).

The preliminary bonus amount for each Bonus Eligible Employee without MBOs in the Recovery Audit (by geographic region) and Healthcare Business Units determined in Step 1 above then shall be adjusted to equal the sum of (i) 50% of the preliminary bonus amount determined in Step 1 above and (ii) the 2.A. amount determined below based upon the total adjusted EBITDA for 2009 of the Business Unit (by geographic region for Recovery Audit) as compared to the total adjusted EBITDA for 2009 included in the company's 2009 budget for the Business Unit (by geographic region for Recovery Audit) approved by the company's board of directors, as follows:

The 2.A. amount based upon adjusted EBITDA shall equal —

If actual 2009 adjusted EBITDA for the Business Unit (by geographic region for Recovery Audit) is less than 85% of the budgeted adjusted EBITDA for 2009, the 2.A. amount will be zero.

If actual 2009 adjusted EBITDA for the Business Unit (by geographic region for Recovery Audit) is equal to 85% of the budgeted adjusted EBITDA for 2009, the 2.A. amount will be 25% of the preliminary bonus amount determined in Step 1 above.

If actual 2009 adjusted EBITDA for the Business Unit (by geographic region for Recovery Audit) is equal to 100% of the budgeted adjusted EBITDA for 2009, the 2.A. amount will be 50% of the preliminary bonus amount determined in Step 1 above.

If actual 2009 adjusted EBITDA for the Business Unit (by geographic region for Recovery Audit) is equal to or greater than 115% of the budgeted adjusted EBITDA for 2009, the 2.A. amount will be 100% of the preliminary bonus amount determined in Step 1 above.

If actual 2009 adjusted EBITDA for the Business Unit (by geographic region for Recovery Audit) is between 85% and 100% or between 100% and 115% of the budgeted adjusted EBITDA for 2009, the 2.A. amount will be calculated on a pro rata basis consistent with the foregoing determinations of the amount.

Step 3 — New Services/Consulting Business Unit (Without MBOs).

The preliminary bonus amount for each Bonus Eligible Employee without MBOs in the New Services/Consulting Business Unit determined in Step 1 above then shall be adjusted to equal the sum of (i) 50% of the preliminary bonus amount determined in Step 1 above, (ii) the 3.A. amount as determined below based upon the total adjusted EBITDA for 2009 of the Business Unit as compared to the total adjusted EBITDA for 2009 included in the company's 2009 budget for the Business Unit, and (iii) the 3.B. amount as determined below based upon the total revenues for 2009 of the Business Unit as compared to the total revenues for 2009 included in the company's 2009 budget for the Business Unit, as follows:

The 3.A. amount based upon adjusted EBITDA shall equal —

If actual 2009 adjusted EBITDA for the Business Unit is less than 85% of the budgeted adjusted EBITDA for 2009, the 3.A. amount will be zero.

If actual 2009 adjusted EBITDA for the Business Unit is equal to 85% of the budgeted adjusted EBITDA for 2009, the 3.A. amount will be 12.5% of the preliminary bonus amount determined in Step 1 above.

If actual 2009 adjusted EBITDA for the Business Unit is equal to 100% of the budgeted adjusted EBITDA for 2009, the 3.A. amount will be 25% of the preliminary bonus amount determined in Step 1 above.

If actual 2009 adjusted EBITDA for the Business Unit is equal to or greater than 115% of the budgeted adjusted EBITDA for 2009, the 3.A. amount will be 50% of the preliminary bonus amount determined in Step 1 above.

If actual 2009 adjusted EBITDA for the Business Unit is between 85% and 100% or between 100% and 115% of the budgeted adjusted EBITDA for 2009, the 3.A. amount will be calculated on a pro rata basis consistent with the foregoing determinations of the amount.

The 3.B. amount based upon revenues shall equal —

If actual 2009 revenues for the Business Unit is less than 85% of the budgeted revenues for 2009, the 3.B. amount will be zero.

If actual 2009 revenues for the Business Unit is equal to 85% of the budgeted revenues for 2009, the 3.B. amount will be 12.5% of the preliminary bonus amount determined in Step 1 above.

If actual 2009 revenues for the Business Unit is equal to 100% of the budgeted revenues for 2009, the 3.B. amount will be 25% of the preliminary bonus amount determined in Step 1 above.

If actual 2009 revenues for the Business Unit is equal to or greater than 115% of the budgeted revenues for 2009, the 3.B. amount will be 50% of the preliminary bonus amount determined in Step 1 above.

If actual 2009 revenues for the Business Unit is between 85% and 100% or between 100% and 115% of the budgeted revenues for 2009, the 3.B. amount will be calculated on a pro rata basis consistent with the foregoing determinations of B.

Step 4 — Corporate/Functional Business Unit (Without MBOs).

For each Bonus Eligible Employee without MBOs in the Corporate/Functional Business Unit, the initial bonus amount for such Bonus Eligible Employee shall be the preliminary bonus amount determined in Step 1 above.

Step 5 – Recovery Audit and Healthcare Business Units (With MBOs).

For each Bonus Eligible Employee with MBOs in the Recovery Audit (by geographic region) and Heathcare Business Units, the preliminary bonus amount determined in Step 1 above then shall be adjusted to equal the sum of the 5.A. and 5.B. amounts as described below.

The 5.A. amount based upon adjusted EBITDA shall equal —

The sum of (i) 35% of the preliminary bonus amount determined in Step 1 above and (ii) the 5.A.(1). amount determined below based upon the total adjusted EBITDA for 2009 of the Business Unit to which the Bonus Eligible Employee is assigned as compared to the total adjusted EBITDA for 2009 included in the company's 2009 budget for the

Business Unit (by geographic region for Recovery Audit) approved by the company's board of directors, as follows:

The 5.A.(1). amount based upon adjusted EBITDA shall equal —

If actual 2009 adjusted EBITDA for the Business Unit (by geographic region for Recovery Audit) is less than 85% of the budgeted adjusted EBITDA for 2009, the 5.A.(1). amount shall be zero.

If actual 2009 adjusted EBITDA for the Business Unit (by geographic region for Recovery Audit) is equal to 85% of the budgeted adjusted EBITDA for 2009, the 5.A.(1). amount shall be 17.5% of the preliminary bonus amount determined in Step 1 above.

If actual 2009 adjusted EBITDA for the Business Unit (by geographic region for Recovery Audit) is equal to 100% of the budgeted adjusted EBITDA for 2009, the 5.A.(1). amount shall be 35% of the preliminary bonus amount determined in Step 1 above.

If actual 2009 adjusted EBITDA for the Business Unit (by geographic region for Recovery Audit) is equal to or greater than 115% of the budgeted adjusted EBITDA for 2009, the 5.A.(1). amount shall be 70% of the preliminary bonus amount determined in Step 1 above.

If actual 2009 adjusted EBITDA for the Business Unit (by geographic region for Recovery Audit) is between 85% and 100% or between 100% and 115% of the budgeted adjusted EBITDA for 2009, the 5.A.(1). amount shall be calculated on a pro rata basis consistent with the foregoing determinations of such amount.

The 5.B. amount based upon MBOs shall equal —

The 5.B. amount will be determined as described below based upon the achievement of the MBOs assigned to the Bonus Eligible Employee. Each such Bonus Eligible Employee will have three MBOs, the achievement of each which will determine the adjustments to 10% of the aggregate 30% of the preliminary bonus amount determined in Step 1 above for the Bonus Eligible Employee. The achievement of each MBO will be scored based on the achievement chart below.

Achievement Scale

0	0%	Did not Meet
1	80%	Met Some
2	100%	Met
3	110%	Exceeded
4	115%	Super Exceeded

For example, for MBO #1, if the Bonus Eligible Employee has determined to have "Exceeded" expectations, the MBO will be scored a 3 and 10% of the preliminary bonus amount for such Bonus Eligible Employee determined in Step 1 above that is assigned to MBO #1 shall be multiplied by 110% to determine the adjustment for that 10% portion of the preliminary bonus amount determined in Step 1 above. The foregoing calculation shall be made for each Bonus Eligible Employee and each MBO assigned to the Bonus Eligible Employee. The initial bonus amounts for the three MBOs then will be aggregated to determine the 5.B. amount for each such Bonus Eligible Employee.

Step 6 — New Services/Consulting Business Unit (With MBOs).

For each Bonus Eligible Employee with MBOs in the New Services/Consulting Business Unit, the preliminary bonus amount determined in Step 1 above then shall be adjusted to equal the sum of the 6.A. and 6.B. amounts as described below.

The 6.A. amount based upon adjusted EBITDA and revenues shall equal—

The sum of (i) 35% of the preliminary bonus amount determined in Step 1 above, (ii) the 6.A.(1). amount determined below based upon the total adjusted EBITDA for 2009 of the Business Unit as compared to the total adjusted EBITDA for 2009 included in the company's 2009 budget for the Business Unit approved by the company's board of directors, and (iii) the 6.A.(2). amount determined below based upon the total revenues for 2009 of the Business Unit as compared to the total revenues for 2009 included in the company's 2009 budget for the Business Unit, as follows:

The 6.A.(1). amount based upon adjusted EBITDA shall equal—

If actual 2009 adjusted EBITDA for the Business Unit is less than 85% of the budgeted adjusted EBITDA for 2009, the 6.A.(1). amount shall be zero.

If actual 2009 adjusted EBITDA for the Business Unit is equal to 85% of the budgeted adjusted EBITDA for 2009, the 6.A.(1). amount shall be 8.75% of the preliminary bonus amount determined in Step 1 above.

If actual 2009 adjusted EBITDA for the Business Unit is equal to 100% of the budgeted adjusted EBITDA for 2009, the 6.A.(1). amount shall be 17.5% of the preliminary bonus amount determined in Step 1 above.

If actual 2009 adjusted EBITDA for the Business Unit is equal to or greater than 115% of the budgeted adjusted EBITDA for 2009, the

6.A.(1). amount shall be 35% of the preliminary bonus amount determined in Step 1 above.

If actual 2009 adjusted EBITDA for the Business Unit is between 85% and 100% or between 100% and 115% of the budgeted adjusted EBITDA for 2009, the 6.A.(1). amount shall be calculated on a pro rata basis consistent with the foregoing determinations of such amount.

The 6.A.(2). amount based upon revenues shall equal —

If actual 2009 revenues for the Business Unit is less than 85% of the budgeted revenues for 2009, the 6.A.(2). amount shall be zero.

If actual 2009 revenues for the Business Unit is equal to 85% of the budgeted revenues for 2009, the 6.A.(2). amount shall be 8.75% of the preliminary bonus amount determined in Step 1 above.

If actual 2009 revenues for the Business Unit is equal to 100% of the budgeted revenues for 2009, the 6.A.(2). amount shall be 17.5% of the preliminary bonus amount determined in Step 1 above.

If actual 2009 revenues for the Business Unit is equal to or greater than 115% of the budgeted revenues for 2009, the 6.A.(2). amount shall be 35% of the preliminary bonus amount determined in Step 1 above.

If actual 2009 revenues for the Business Unit is between 85% and 100% or between 100% and 115% of the budgeted revenues for 2009, the 6.A.(2). amount shall be calculated on a pro rata basis consistent with the foregoing determinations of such amount.

The 6.B. amount based upon MBOs shall equal —

The 6.B. amount will be determined as described below based upon the achievement of the MBOs assigned to the Bonus Eligible Employee. Each such Bonus Eligible Employee will have three MBOs, the achievement of each which will determine the adjustments to 10% of the aggregate 30% of the preliminary bonus amount determined in Step 1 above for the Bonus Eligible Employee. The achievement of each MBO will be scored based on the achievement chart below.

Achievement Scale

0	0%	Did not Meet
1	80%	Met Some
2	100%	Met
3	110%	Exceeded
4	115%	Super Exceeded

For example, for MBO #1, if the Bonus Eligible Employee has determined to have "Exceeded" expectations, the MBO will be scored a 3 and 10% of the preliminary bonus amount for such Bonus Eligible Employee determined in Step 1 above that is assigned to MBO #1 shall be multiplied by 110% to determine the adjustment for that 10% portion of the preliminary bonus amount determined in Step 1 above. The foregoing calculation shall be made for each Bonus Eligible Employee and each MBO assigned to the Bonus Eligible Employee. The initial bonus amounts for the three MBOs then will be aggregated to determine the 6.B. amount for each such Bonus Eligible Employee.

<u>Step 7</u> – <u>Corporate/Functional Business Unit (With MBOs)</u>.

For each Bonus Eligible Employee with MBOs in the Corporate/Functional Business Unit, the preliminary bonus amount determined in Step 1 above then shall be adjusted to equal the sum of the 7.A. and 7.B. amounts as described below.

<u>The 7.A. amount based upon adjusted EBITDA shall equal</u> –

70% of the preliminary bonus amount determined in Step 1 above for the Bonus Eligible Employee.

<u>The 7.B. amount based on MBOs shall equal</u> —

The 7.B. amount will be determined as described below based upon the achievement of the MBOs assigned to the Bonus Eligible Employee. Each such Bonus Eligible Employee will have three MBOs, the achievement of each which will determine the adjustments to 10% of the aggregate 30% of the preliminary bonus amount determined in Step 1 above for the Bonus Eligible Employee. The achievement of each MBO will be scored based on the achievement chart below.

<u>Achievement Scale</u>

0	0%	Did not Meet
1	80%	Met Some
2	100%	Met
3	110%	Exceeded
4	115%	Super Exceeded

For example, for MBO #1, if the Bonus Eligible Employee has determined to have "Exceeded" expectations, the MBO will be scored a 3 and 10% of the preliminary bonus amount for such Bonus Eligible Employee determined in Step 1 above that is assigned to MBO #1 shall be multiplied by 110% to determine the adjustment for that 10% portion

of the preliminary bonus amount determined in Step 1 above. The foregoing calculation shall be made for each Bonus Eligible Employee and each MBO assigned to the Bonus Eligible Employee. The initial bonus amounts for the three MBOs then will be aggregated to determine the 7.B. amount for each such Bonus Eligible Employee.

E. Allocation of Total Bonus Pool to Bonus Eligible Employees

The Total Bonus Pool determined in II.C. above based on the 2009 adjusted EBITDA for the company will then be allocated among all Bonus Eligible Employees by multiplying the Total Bonus Pool determined in II.C. above by the percentage that equals the initial bonus amount for the Bonus Eligible Employee determined in II.D. above divided by the total of all of the initial bonus amounts for all Bonus Eligible Employees determined in II.D. above. The resulting product shall be the portion of the Total Bonus Pool to be allocated, and paid, to each Bonus Eligible Employee, subject to the second paragraph of this II.E.

Notwithstanding the foregoing, some Bonus Eligible Employees could be paid a bonus somewhat higher, or somewhat lower, than their bonus as calculated in the first paragraph of this II.E. These exceptions are expected to be rare, will be based on individual performance and must be approved in advance by the company's SVP-Human Resources and CEO. Since the Total Bonus Pool will be a fixed amount, if any Bonus Eligible Employee receives a larger bonus than calculated in the first paragraph of this II.E., one or more other Bonus Eligible Employees must receive less than their allocated bonus, so that the aggregate bonuses to be paid will never exceed the Total Bonus Pool determined in II.C. above.

F. Qualification for and Payment of Bonuses

Bonus Eligible Employees must have at least a satisfactory performance rating during the Plan year and at the time bonus payments are made to be eligible to receive a bonus payment under this Plan.

Bonuses will be paid annually in a lump sum, net of the tax withholdings, and in most cases within thirty (30) days after completion of the annual audit of the company's 2009 results (but in no event later than March 15, 2010).

Bonus Eligible Employees must be actively employed by PRG-Schultz at the time of the payment in order to receive a bonus. Exceptions to this requirement may be made in connection with terminations due to retirement, disability or death.

If an employee becomes eligible to participate in the 2009 PRG-Schultz Performance Bonus Plan after January 1st (by beginning work in a Bonus Eligible Position), he/she may be eligible for a prorated payout based on the date of entry into the Plan, but may not enter the plan after November 1st of the Plan Year.

III. Plan Interpretation and Administration

Overall responsibility for the administration of the Plan resides with the SVP-Human Resources.

All bonus payments are subject to the approval of the company's SVP-Human Resources, the CEO, and the Compensation Committee of the company's Board of Directors.

The company reserves the right to discontinue or amend the Plan, (with or without payment of any bonuses hereunder) any time and from time to time. Such changes could include, for instance and without limitation, the revision of the company's financial targets in the event of business or organizational changes, including acquisitions and divestitures, deemed to warrant such action. This Plan is a discretionary bonus plan and confers no rights to Bonus Eligible Employees or other employees. Authority and responsibility for interpretation and application of the Plan rest solely with the company's SVP-Human Resources, CEO and the Compensation Committee of the company's Board of Directors.

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IV. Plan Acknowledgement Form

I have received and reviewed the terms of the 2009 PRG-Schultz Performance Bonus Plan. I understand and agree that this Plan does not create a contract of employment between the PRG-Schultz and me nor does it confer on me any other rights with respect to any bonuses that may or may not become payable under this Plan.

Position:

Business Unit (other than
Corporate/Functional)
(If Applicable):

2009 Target Bonus:
2009 Maximum Bonus:

Employee's Signature Date

Employee's Name (typed or printed)

PLEASE FORWARD THE COMPLETED EMPLOYEE ACKNOWLEDGEMENT FORM TO LISA CHASEY IN HUMAN RESOURCES IN ATLANTA

Confidential

Exhibit 10.31

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of November 28, 2008, by and between PRG-Schultz International, Inc., a Georgia corporation (the "Company"), and Victor A. Allums (the "Executive"). This Agreement supersedes, replaces and terminates any employment agreement previously entered into by and among the Company and/or any of its subsidiaries and the Executive.

W I T N E S S E T H:

WHEREAS, the Company considers the availability of the Executive's services to be important to the management and conduct of the Company's business and desires to secure the availability of the Executive's services; and

WHEREAS, the Executive is willing to make the Executive's services available to the Company on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth and intending to be legally bound, the Company and the Executive agree as follows:

1. **Employment and Duties**.

(a) **Position.** The Company hereby employs the Executive, and the Executive hereby accepts such employment, as the Senior Vice President, General Counsel and Secretary of the Company, on the terms and subject to the conditions of this Agreement. The Executive agrees to perform such duties and responsibilities as are customarily performed by persons acting in such capacity or as are assigned to Executive from time to time by the Board of Directors of the Company or its designees. The Executive acknowledges and agrees that from time to time the Company may assign Executive additional positions with the Company or the Company's subsidiaries, with such title, duties and responsibilities as shall be determined by the Company. The Executive agrees to serve in any and all such positions without additional compensation. The Executive will report directly to the Chief Executive Officer of the Company.

(b) **Duties.** The Executive shall devote the Executive's best efforts and full professional time and attention to the business and affairs of the Company and the Company's subsidiaries. During the Term, Executive shall not serve as a director or principal of any other company or charitable or civic organization without the prior written consent of the Board of Directors of the Company. The principal place(s) of employment of the Executive shall be the Company's executive offices in Atlanta, Georgia subject to reasonable travel on the business of the Company or the Company's subsidiaries. The Executive shall be expected to follow and be bound by the terms of the Company's Code of Conduct and Code of Ethics for Senior Financial Officers and any other applicable policies as the Company from time to time may adopt.

2. **Term**. The term of this Agreement is effective as of the date set forth above (the "Effective Date"), and will continue through the first anniversary of the Effective Date, unless terminated or extended as hereinafter provided. This Agreement shall be extended for successive one-year periods following the original term (through each subsequent anniversary thereafter) unless any party notifies the other in writing at least 30 days prior to the end of the original term, or

the end of any additional one-year renewal term, that the Agreement shall not be extended beyond its then current term. The term of this Agreement, including any renewal term, is referred to herein as the "Term."

3. **Compensation**.

(a) **Base Salary**. The Company shall pay the Executive an annual base salary of $240,000.00. The annual base salary shall be paid to the Executive in accordance with the established payroll practices of the Company (but no less frequently than monthly) subject to ordinary and lawful deductions. The Compensation Committee of the Company will review the Executive's base salary from time to time to consider whether any increase should be made. The base salary during the Term will not be less than that in effect at any time during the Term.

(b) **Annual Bonus**. During the Term, the Executive will be eligible to participate in an annual incentive bonus plan that will establish measurable criteria and incentive compensation levels payable to the Executive for performance in relation to defined targets established by the Compensation Committee of the Company's Board of Directors, after consultation with management, and consistent with the Company's business plans and objectives. To the extent the targeted performance levels are exceeded, the incentive bonus plan will provide a means by which the annual bonus will be increased. Similarly, the incentive plan will provide a means by which the annual bonus will be decreased or eliminated if the targeted performance levels are not achieved. In connection with such annual incentive bonus plan, subject to the corresponding performance levels being achieved, the Executive shall be eligible for an annual target bonus equal to 50 percent of the Executive's annual base salary and an annual maximum bonus equal to 100 percent of the Executive's annual base salary. Any bonus payments due hereunder shall be payable to the Executive no later than the 15th day of the third month following the end of the applicable year to which the incentive bonus relates.

(c) **Stock Compensation**. The Executive also shall be eligible to receive stock options, restricted stock, stock appreciation rights and/or other equity awards under the Company's applicable equity plans on such basis as the Compensation Committee or the Board of Directors of the Company or their designees, as the case may be, may determine on a basis not less favorable than that provided to the class of employees that includes the Executive. Except as specifically set forth above, however, nothing herein shall require the Company to make any equity grants or other awards to the Executive in any specific year.

4 **Indemnity.** The Company and the Executive have entered or will enter into the Company's standard indemnification agreement for executive officers.

5. **Benefits**.

(a) **Benefit Programs**. The Executive shall be eligible to participate in any plans, programs or forms of compensation or benefits that the Company or the Company's subsidiaries provide to the class of employees that includes the Executive, on a basis not less favorable than that provided to such class of employees, including, without limitation, group medical, disability and life insurance, paid time-off, and retirement plan, subject to the terms and conditions of such plans, programs or forms of compensation or benefits.

(b) **Paid Time-Off**. The Executive shall be entitled to five weeks of paid time-off, to be accrued and used in accordance with the normal Company paid time-off policy.

(c) **Additional Terms, Compensation and Benefits**. The additional terms, compensation and benefits, if any, listed on Exhibit A attached hereto, shall also apply to the Executive's employment for the duration specified therein.

6. **Reimbursement of Expenses**. The Company shall reimburse the Executive, subject to presentation of adequate substantiation, including receipts, for the reasonable travel, entertainment, lodging and other business expenses incurred by the Executive in accordance with the Company's expense reimbursement policy in effect at the time such expenses are incurred. In no event will such reimbursements, if any, be made later than the last day of the year following the year in which the Executive incurs the expense.

7. **Termination of Employment**.

(a) **Death or Incapacity**. The Executive's employment under this Agreement shall terminate automatically upon the Executive's death. If the Company determines that the Incapacity, as hereinafter defined, of the Executive has occurred, it may terminate the Executive's employment and this Agreement. "Incapacity" shall mean the inability of the Executive to perform the essential functions of the Executive's job, with or without reasonable accommodation, for a period of 90 days in the aggregate in any rolling 180-day period.

(b) **Termination by Company For Cause**. The Company may terminate the Executive's employment during the Term of this Agreement for Cause. For purposes of this Agreement, "Cause" shall mean, as determined by the Board of Directors of the Company in good faith, the following:

(i) the Executive's willful misconduct or gross negligence in connection with the performance of the Executive's duties which the Board of Directors of the Company believes does or is likely to result in material harm to the Company or any of its subsidiaries;

(ii) the Executive's misappropriation or embezzlement of funds or property of the Company or any of its subsidiaries;

(iii) the Executive's fraud or dishonesty with respect to the Company or any of its subsidiaries;

(iv) the Executive's conviction of, indictment for (or its procedural equivalent), or entering of a guilty plea or plea of no contest with respect to any felony or any other crime involving moral turpitude or dishonesty; or

(v) the Executive's breach of a material term of this Agreement, or violation in any material respect of any code or standard of behavior generally applicable to officers of the Company (including, without, limitation the Company's Code of Conduct, Code of Ethics for Senior Financial Officers and any other applicable policies as the Company from time to time may adopt), after being advised in writing of such breach or violation and being given 30 days to remedy such breach or violation, to the extent that such breach or violation can be cured;

(vi) the Executive's breach of fiduciary duties owed to the Company or any of its subsidiaries;

(vii) the Executive's engagement in habitual insobriety or the use of illegal drugs or substances; or

(viii) the Executive's willful failure to cooperate, or willful failure to cause and direct persons under the Executive's management or direction, or employed by, or consultants or agents to, the Company or its subsidiaries to cooperate, with all corporate investigations or independent investigations by the Board of Directors of the Company or its subsidiaries, all governmental investigations of the Company or its subsidiaries or orders involving the Executive, the Company or the Company's subsidiaries entered by a court of competent jurisdiction.

Notwithstanding the above, and without limitation, the Executive shall not be deemed to have been terminated for Cause unless and until there has been delivered to the Executive (i) a letter from the Board of Directors of the Company finding that the Executive has engaged in the conduct set forth in any of the preceding clauses and specifying the particulars thereof in detail and (ii) a copy of a resolution duly adopted by the affirmative vote of the majority of the members of the Board of Directors of the Company who are not officers of the Company at a meeting of the Board of Directors called and held for such purpose or such other appropriate written consent (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board of Directors of the Company), finding that the Executive has engaged in such conduct and specifying the particulars thereof in detail.

(c) **Termination by Executive for Good Reason**. The Executive may terminate the Executive's employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without the Executive's consent, the following:

(i) any action taken by the Company which results in a material reduction in the Executive's authority, duties or responsibilities (except that any change in the foregoing that results solely from (A) the Company ceasing to be a publicly traded entity or from the Company becoming a wholly-owned subsidiary of another publicly traded entity or (B) any change in the geographic scope of the Executive's authority, duties or responsibilities will not, in any event and standing alone, constitute a substantial reduction in the Executive's authority, duties or responsibilities), including any requirement that the Executive report directly to anyone other than the Chief Executive Officer of the Company;

(ii) the assignment to the Executive of duties that are materially inconsistent with Executive's authority, duties or responsibilities;

(iii) any material decrease in the Executive's base salary or annual bonus opportunity or the benefits generally available to the class of employees that includes the Executive, except to the extent the Company has instituted a salary, bonus or benefits reduction generally applicable to all executives of the Company other than in contemplation of or after a Change in Control;

(iv) the relocation of the Executive to any primary place of employment other than as specified in Section 1(b) above which might require the Executive to move the Executive's residence which, for this purpose, means any reassignment to a place of employment 50 miles or more from the place (or, if applicable, all places) of employment set forth in Section 1(b), without the Executive's express written consent to such relocation; provided, however, this subsection (iv) shall not apply in the case of business travel which requires the Executive to relocate temporarily for periods of 90 days or less;

(v) the failure by the Company to pay to the Executive any portion of the Executive's base salary, annual bonus or other benefits within 10 days after the date the same is due; or

(vi) any material failure by the Company to comply with the terms of this Agreement.

Notwithstanding the above, and without limitation, "Good Reason" shall not include any resignation by the Executive where Cause for the Executive's termination by the Company exists and the Company then follows the procedures described above. The Executive must give the Company notice of any event or condition that would constitute "Good Reason" within 30 days of the event or condition which would constitute "Good Reason," and upon the receipt of such notice the Company shall have 30 days to remedy such event or condition. If such event or condition is not remedied within such 30-day period, any termination of employment by the Executive for "Good Reason" must occur within 30 days after the period for remedying such condition or event has expired.

(d) **Termination by Company Without Cause or by Executive Other than For Good Reason** The Company may terminate the Executive's employment during the Term of this Agreement without Cause, and Executive may terminate the Executive's employment for other than Good Reason, upon 30 days' written notice. The Company may elect to pay the Executive during any applicable notice period (in accordance with the established payroll practices of the Company, no less frequently than monthly) and remove him from active service.

(e) **Termination by Executive on Failure to Renew**. The Executive may terminate the Executive's employment at any time on or before the expiration of the Term of the Agreement, if the Company notifies the Executive that the Term of the Agreement shall not be extended as provided in Section 2 above.

8. **Obligations of the Company Upon Termination**

(a) **Without Cause; Good Reason; Non-Renewal (No Change in Control)**. If, during the Term, the Company terminates the Executive's employment without Cause in accordance with Section 7(d) hereof, the Executive terminates the Executive's employment for Good Reason in accordance with Section 7(c) hereof, or the Executive terminates the Executive's employment upon the Company's failure to renew the Agreement in accordance with Section 7(e) hereof, other than within two years after a Change in Control, subject to Section 20 below, the Executive shall be entitled to receive:

(i) payment of the Executive's annual base salary in effect immediately preceding the date of the Executive's termination of employment (or, if greater, the

Executive's annual base salary in effect immediately preceding any action by the Company described in Section 7(c)(iii) above for which the Executive has terminated the Executive's employment for Good Reason), for the period equal to the greater of one year or the sum of four weeks for each full year of continuous service the Executive has with the Company and its subsidiaries at the time of termination of employment, beginning immediately following termination of employment (the "Severance Period"), payable in accordance with the established payroll practices of the Company (but no less frequently than monthly), beginning on the first payroll date following 30 days after termination of employment, with the Executive to receive at that time a lump sum payment with respect to any installments the Executive was entitled to receive during the first 30 days following termination of employment, and the remaining payments made as if they had commenced immediately following termination of employment;

(ii) payment of an amount equal to the Executive's actual earned full-year bonus for the year in which the termination of Executive's employment occurs, prorated based on the number of days the Executive was employed for the year, payable at the time the Executive's annual bonus for the year otherwise would be paid had the Executive continued employment;

(iii) continuation after the date of termination of employment of any health care (medical, dental and vision) plan coverage, other than that under a flexible spending account, provided to the Executive and the Executive's spouse and dependents at the date of termination for the Severance Period, on a monthly or more frequent basis, on the same basis and at the same cost to the Executive as available to similarly-situated active employees during such Severance Period, provided that such continued participation is possible under the general terms and provisions of such plans and programs and provided that such continued coverage by the Company shall terminate in the event Executive becomes eligible for any such coverage under another employer's plans. If the Company reasonably determines that maintaining such coverage for the Executive or the Executive's spouse or dependents is not feasible under the terms and provisions of such plans and programs (or where such continuation would adversely affect the tax status of the plan pursuant to which the coverage is provided), the Company shall pay the Executive cash equal to the estimated cost of the expected Company contribution therefor for such same period of time, with such payments to be made in accordance with the established payroll practices of the Company (not less frequently than monthly) for the period during which such cash payments are to be provided;

(iv) payment of any Accrued Obligations. For purposes of this Agreement, "Accrued Obligations" shall mean the sum of (A) the Executive's annual base salary through Executive's termination of employment which remains unpaid, (B) the amount, if any, of any incentive or bonus compensation earned for any completed fiscal year of the Company which has not yet been paid, (C) any reimbursements for expenses incurred but not yet paid, and (D) any benefits or other amounts, including both cash and stock components, which pursuant to the terms of any plans, policies or programs have been earned or become payable, but which have not yet been paid to the Executive, including payment for any unused paid time-off (but not including amounts that previously had been deferred at the Executive's request, which amounts will be paid in accordance with the Executive's existing directions). The Accrued Obligations will be paid to the Executive in a

lump sum as soon as administratively feasible after the Executive's termination of employment, which for purposes of any incentive or bonus compensation described in (B) above shall mean at the same time such annual bonus would otherwise have been paid;

(v) vesting in full of the Executive's outstanding unvested options, restricted stock and other equity-based awards that would have vested based solely on the continued employment of the Executive. Additionally, all of Executive's outstanding stock options shall remain outstanding until the earlier of (i) one year after the date of termination of the Executive's employment or (ii) the original expiration date of the options (disregarding any earlier expiration date provided for in any other agreement, including without limitation any related grant agreement, based solely on the termination of the Executive's employment); and

(vi) payment of one year of outplacement services from Executrack or an outplacement service provider of the Executive's choice, limited to $20,000 in total. This outplacement services benefit will be forfeited if the Executive does not begin using such services within 60 days after the termination of the Executive's employment.

(b) **<u>Without Cause; Good Reason; Non-Renewal (Change in Control)</u>**. If, during the Term, the Company terminates the Executive's employment without Cause in accordance with Section 7(d) hereof, the Executive terminates the Executive's employment for Good Reason in accordance with Section 7(c) hereof, or the Executive terminates the Executive's employment upon the Company's failure to renew the Agreement in accordance with Section 7(e) hereof, within two years after a Change in Control, subject to Section 20 below, the Executive shall be entitled to receive:

(i) payment of the Executive's annual base salary in effect immediately preceding the date of the Executive's termination of employment (or, if greater, the Executive's annual base salary in effect immediately preceding any action by the Company described in Section 7(c)(iii) above for which the Executive has terminated the Executive's employment for Good Reason), for the period equal to the greater of 18 months or the sum of four weeks for each full year of continuous service the Executive has with the Company and its subsidiaries at the time of termination of employment, beginning immediately following termination of employment (the "Change in Control Severance Period"), payable in accordance with the established payable practices of the Company (but no less frequently than monthly), beginning on the first payroll date following 30 days after termination of employment, with the Executive to receive at that time a lump sum payment with respect to any installments the Executive was entitled to receive during the first 30 days following termination of employment;

(ii) payment of an amount equal to the Executive's actual earned full-year bonus for the year in which the termination of Executive's employment occurs, prorated based on the number of days the Executive was employed for the year, payable at the time the Executive's annual bonus for the year otherwise would be paid had the Executive continued employment;

(iii) continuation after the date of termination of employment of any health care (medical, dental and vision) plan coverage, other than that under a flexible

spending account, provided to the Executive and the Executive's spouse and dependents at the date of termination for the Change in Control Severance Period, on a monthly or more frequent basis, on the same basis and at the same cost to the Executive as available to similarly-situated active employees during such Change in Control Severance Period, provided that such continued participation is possible under the general terms and provisions of such plans and programs and provided that such continued contribution by the Company shall terminate in the event Executive becomes eligible for any such coverage under another employer's plans. If the Company reasonably determines that maintaining such coverage for the Executive or the Executive's spouse or dependents is not feasible under the terms and provisions of such plans and programs (or where such continuation would adversely affect the tax status of the plan pursuant to which the coverage is provided), the Company shall pay the Executive cash equal to the estimated cost of the expected Company contribution therefor for such same period of time, with such payments to be made in accordance with the established payroll practices of the Company (not less frequently than monthly) for the period during which such cash payments are to be provided;

(iv) payment of any Accrued Obligations in a lump sum as soon as administratively feasible after the Executive's termination of employment, which for purposes of any incentive or bonus compensation described in Section 8(a)(iv)(B) above shall mean at the same time such annual bonus would otherwise have been paid;

(v) vesting in full of the Executive's outstanding unvested options, restricted stock and other equity-based awards that would have vested based solely on the continued employment of the Executive. Additionally, all of the Executive's outstanding stock options shall remain outstanding until the earlier of (i) one year after the date of termination of the Executive's employment or (ii) the original expiration date of the options (disregarding any earlier expiration date provided for in any other agreement, including without limitation any related grant agreement, based solely on the termination of the Executive's employment); and

(vi) payment of one year of outplacement services from Executrack or an outplacement service provider of the Executive's choice, limited to $20,000 in total. This outplacement services benefit will be forfeited if the Executive does not begin using such services within 60 days after the termination of the Executive's employment.

(c) **Death or Incapacity**. If the Executive's employment is terminated by reason of death or Incapacity in accordance with Section 7(a) hereof, the Executive shall be entitled to receive:

(i) payment of an amount equal to the actual full-year bonus earned for the year that includes Executive's death or Incapacity, prorated based on the number of days the Executive is employed for the year, payable at the same time such annual bonus would otherwise have been paid had the Executive continued employment; and

(ii) payment of any Accrued Obligations in a lump sum as soon as administratively feasible after the Executive's termination of employment, which for purposes of any incentive or bonus compensation described in Section 8(a)(iv)(B) above shall mean at the same time such annual bonus would otherwise have been paid.

(d) **Cause; Other Than for Good Reason**. If the Company terminates the Executive's employment for Cause in accordance with Section 7(b) hereof, or the Executive terminates the Executive's employment other than for Good Reason in accordance with Section 7(d) hereof, this Agreement shall terminate without any further obligation to the Executive other than to pay the Accrued Obligations (except that any incentive or bonus compensation earned for any completed fiscal year of the Company which has not yet been paid shall not be paid if the Company terminates the Executive's employment for Cause in accordance with Section 7(b) hereof) as soon as administratively feasible after the Executive's termination of employment.

(e) **Release and Waiver**. Notwithstanding any other provision of this Agreement, the Executive's right to receive any payments or benefits under Sections 8(a)(i), (ii), (iii), (v) and (vi) and 8(b)(i), (ii), (iii), (v) and (vi) of this Agreement upon the termination of the Executive's employment by the Company without Cause, by the Executive for Good Reason, or by the Executive upon the Company's failure to renew the Agreement is contingent upon and subject to the Executive signing and delivering to the Company a separation agreement and complete general release of all claims in a form acceptable to Company, and allowing the applicable revocation period required by law to expire without revoking or causing revocation of same, within 30 days following the date of termination of Executive's employment.

(f) **Change in Control**. For purposes of this Agreement, Change of Control means the occurrence of any of the following events:

(i) The accumulation in any number of related or unrelated transactions by any person of beneficial ownership (as such term is used in Rule 13d-3, promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of 50 percent or more of the combined total voting power of the Company's voting stock; provided that for purposes of this subsection (a), a Change in Control will not be deemed to have incurred if the accumulation of 50 percent or more of the voting power of the Company's voting stock results from any acquisition of voting stock (i) by the Company, (ii) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of the Company's subsidiaries, or (iii) by any person pursuant to a merger, consolidation, reorganization or other transaction (a "Business Combination") that would not cause a Change in Control under subsection (ii) below; or

(ii) A consummation of a Business Combination, unless, immediately following that Business Combination, substantially all the persons who were the beneficial owners of the voting stock of the Company immediately prior to that Business Combination beneficially own, directly or indirectly, at least 50 percent of the combined voting power of the voting stock of the entity resulting from that Business Combination (including, without limitation, an entity that as a result of that transaction owns the Company, or all or substantially all of the Company assets, either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as the ownership, immediately prior to that Business Combination, of the voting stock of the Company;

(iii) A sale or other disposition of all or substantially all of the assets of the Company except pursuant to a Business Combination that would not cause a Change in Control under subsection (ii) above;

(iv) At any time less than a majority of the members of the Board of Directors of the Company or any entity resulting from any Business Combination are Incumbent Board Members.

(v) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that would not cause a Change in Control under subsection (ii) above; or

(vi) Any other transaction or event that the Board of Directors of the Company identifies as a Change in Control for purposes of this Agreement.

(vii) For purposes of this Agreement, an "Incumbent Board Member" shall mean any individual who either is (a) a member of the Company Board of Directors as of the effective date of this Agreement or (b) a member who becomes a member of the Company's Board of Directors subsequent to the date of this Agreement, whose election or nomination by the Company's shareholders, was approved by a vote of at least a majority of the then Incumbent Board Members (either by specific vote or by approval of a proxy statement of the Company in which that person is named as a nominee for director, without objection to that nomination), but excluding, for that purpose, any individual whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14A-11 of the Exchange Act) with respect to the election or removal of directors or other actual threatened solicitation or proxies or consents by or on behalf of the person other than a board of directors. For purposes of this Agreement, a person means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint-stock company, trusts, unincorporated organization or any other entity of any kind.

9. **Business Protection Agreements**.

(a) **Definitions**. For purposes of this Agreement, the following terms shall have the following meanings:

(i) "Business of the Company" means services to (A) identify clients' erroneous or improper payments, (B) assist clients in the recovery of monies owed to them as a result of overpayments and overlooked discounts, rebates, allowances and credits, and (C) assist clients in the improvement and execution of their procurement and payment processes.

(ii) "Confidential Information" means any information about the Company or the Company's subsidiaries and their employees, customers and/or suppliers which is not generally known outside of the Company or the Company's subsidiaries, which Executive learns of in connection with Executive's employment with the Company, and which would be useful to competitors or the disclosure of which would be damaging to the Company or the Company's subsidiaries. Confidential Information includes, but is not limited to: (A) business and employment policies, marketing methods and the targets of those methods, finances, business plans, promotional materials and price lists; (B) the terms upon which the Company or the Company's subsidiaries obtains products from their

suppliers and sells services and products to customers; (C) the nature, origin, composition and development of the Company or the Company's subsidiaries' services and products; and (D) the manner in which the Company or the Company's subsidiaries provide products and services to their customers.

(iii) "Material Contact" means contact in person, by telephone, or by paper or electronic correspondence in furtherance of the Business of the Company.

(iv) "Restricted Territory" means, and is limited to, the geographic area described in Exhibit B attached hereto. Executive acknowledges and agrees that this is the area in which the Company and its subsidiaries does business at the time of the execution of this Agreement, and in which the Executive will have responsibility, at a minimum, on behalf of the Company and the Company's subsidiaries. Executive acknowledges and agrees that if the geographic area in which Executive has responsibility should change while employed under this Agreement, Executive will execute an amendment to the definition of "Restricted Territory" to reflect such change. This duty shall be part of the consideration provided by Executive for Executive's employment hereunder.

(v) "Trade Secrets" means the trade secrets of the Company or the Company's subsidiaries as defined under applicable law.

(b) **Confidentiality**. Executive agrees that the Executive will not (other than in the performance of Executive's duties hereunder), directly or indirectly, use, copy, disclose or otherwise distribute to any other person or entity: (a) any Confidential Information during the period of time the Executive is employed by the Company and for a period of five years thereafter; or (b) any Trade Secret at any time such information constitutes a trade secret under applicable law. Upon the termination of Executive's employment with the Company (or upon the earlier request of the Company), Executive shall promptly return to the Company all documents and items in the Executive's possession or under the Executive's control which contain any Confidential Information or Trade Secrets.

(c) **Non-Competition**. Executive agrees that during the Executive's employment with the Company and for a period of two years thereafter, Executive will not, either for himself or on behalf of any other person or entity, compete with the Business of the Company within the Restricted Territory by performing activities which are the same as or similar to those performed by Executive for the Company or the Company's subsidiaries.

(d) **Non-Solicitation of Customers**. Executive agrees that during Executive's employment with the Company and for a period of two years thereafter, Executive shall not, directly or indirectly, solicit any actual or prospective customers of the Company or the Company's subsidiaries with whom Executive had Material Contact, for the purpose of selling any products or services which compete with the Business of the Company

(e) **Non-Recruitment of Employees or Contractors**. Executive agrees that during the Executive's employment with the Company and for a period of two years thereafter, Executive will not, directly or indirectly, solicit or attempt to solicit any employee or contractor of the Company or the Company's subsidiaries with whom Executive had Material Contact, to terminate or lessen such employment or contract.

(f) **Obligations of the Company**. The Company agrees to provide Executive with Confidential Information in order to enable Executive to perform Executive's duties hereunder. The covenants of Executive contained in the covenants of Confidentiality, Non-Competition, Non-Solicitation of Customers and Non-Recruitment of Employees or Contractors set forth in Subsections 9(b) — 9(e) above ("Protective Covenants") are made by Executive in consideration for the Company's agreement to provide Confidential Information to Executive, and intended to protect Company's Confidential Information and the investments the Company makes in training Executive and developing customer goodwill.

(g) **Acknowledgments**. Executive hereby acknowledges and agrees that the covenants contained in (b) through (e) of this Section 9 and Section 10 hereof are reasonable as to time, scope and territory given the Company and the Company's subsidiaries' need to protect their business, customer relationships, personnel, Trade Secrets and Confidential Information. Executive acknowledges and represents that Executive has substantial experience and knowledge such that Executive can readily obtain subsequent employment which does not violate this Agreement.

(h) **Specific Performance**. Executive acknowledges and agrees that any breach of any of the Protective Covenants or the provisions of Section 10 by him will cause irreparable damage to the Company or the Company's subsidiaries, the exact amount of which will be difficult to determine, and that the remedies at law for any such breach will be inadequate. Accordingly, Executive agrees that, in addition to any other remedy that may be available at law, in equity, or hereunder, the Company shall be entitled to specific performance and injunctive relief, without posting bond or other security, to enforce or prevent any violation of any of the Protective Covenants by him.

10. **Ownership of Work Product**.

(a) **Assignment of Inventions**. Executive will make full written disclosure to the Company, and hold in trust for the sole right and benefit of the Company, and hereby assigns to the Company, or its designees, all of the Executive's right, title, and interest in and to any and all inventions, original works of authorship, developments, concepts, improvements or trade secrets, whether or not patentable or registrable under copyright or similar laws, which the Executive may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of time the Executive is engaged as an employee of the Company (collectively referred to as "Inventions") and which (i) are developed using the equipment, supplies, facilities or Confidential Information or Trade Secrets of the Company or the Company's subsidiaries, (ii) result from or are suggested by work performed by Executive for the Company or the Company's subsidiaries, or (iii) relate at the time of conception or reduction to practice to the business as conducted by the Company or the Company's subsidiaries, or to the actual or demonstrably anticipated research or development of the Company or the Company's subsidiaries, will be the sole and exclusive property of the Company or the Company's subsidiaries, and Executive will and hereby does assign all of the Executive's right, title and interest in such Inventions to the Company and the Company's subsidiaries. Executive further acknowledge that all original works of authorship which are made by him (solely or jointly with others) within the scope of and during the period of the Executive's employment arrangement with the Company and which are protectible by copyright are "works made for hire," as that term is defined in the United States Copyright Act.

(b) **Patent and Copyright Registrations**. Executive agrees to assist the Company and the Company's subsidiaries, or their designees, at the Company or the Company's subsidiaries' expense, in every proper way to secure the Company's or the Company's subsidiaries' rights in the Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, including the disclosure to the Company and the Company's subsidiaries of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which the Company or the Company's subsidiaries shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to the Company and its subsidiaries, and their successors, assigns, and nominees the sole and exclusive rights, title and interest in and to such Inventions, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. Executive further agree that the Executive's obligation to execute or cause to be executed, when it is in the Executive's power to do so, any such instrument or papers shall continue after the termination of this Agreement.

(c) **Inventions Retained and Licensed**. There are no inventions, original works of authorship, developments, improvements, and trade secrets which were made by Executive prior to the Executive's employment with the Company (collectively referred to as "Prior Inventions"), which belong to Executive, which relate to the Company's or the Company's subsidiaries' proposed business, products or research and development, and which are not assigned to the Company or the Company's subsidiaries hereunder.

(d) **Return of Company Property and Information**. The Executive agrees not to remove any property of the Company or the Company's subsidiaries or information from the premises of the Company or the Company's subsidiaries, except when authorized by the Company or the Company's subsidiaries. Executive agrees to return all such property and information within seven days following the cessation of Executive's employment for any reason. Such property includes, but is not limited to, the original and any copy (regardless of the manner in which it is recorded) of all information provided by the Company or the Company's subsidiaries to the Executive or which the Executive has developed or collected in the scope of the Executive's employment, as well as all issued equipment, supplies, accessories, vehicles, keys, instruments, tools, devices, computers, cell phones, materials, documents, plans, records, notebooks, drawings, or papers. Upon request by the Company, the Executive shall certify in writing that all copies of information subject to this Agreement located on the Executive's computers or other electronic storage devices have been permanently deleted. Provided, however, the Executive may retain copies of documents relating to any employee benefit plans applicable to the Executive and income records to the extent necessary for the Executive to prepare the Executive's individual tax returns.

11. **Mitigation**. The Executive shall not be required to mitigate the amount of any payment the Company becomes obligated to make to the Executive in connection with this Agreement, by seeking other employment or otherwise. Except as specifically provided above with respect to the health care continuation benefit, the amount of any payment provided for in Section 8 shall not be reduced, offset or subject to recovery by the Company by reason of any compensation earned by the Executive as the result of employment by another employer after the Date of Termination, or otherwise.

12. **Withholding of Taxes.** The Company shall withhold from any amounts or benefits payable under this Agreement all federal, state, city or other taxes that the Company is required to withhold under any applicable law, regulation or ruling.

13. **Modification and Severability**. The terms of this Agreement shall be presumed to be enforceable, and any reading causing unenforceability shall yield to a construction permitting enforcement. If any single covenant or provision in this Agreement shall be found unenforceable, it shall be severed and the remaining covenants and provisions enforced in accordance with the tenor of the Agreement. In the event a court should determine not to enforce a covenant as written due to overbreadth, the parties specifically agree that said covenant shall be enforced to the maximum extent reasonable, whether said revisions be in time, territory, scope of prohibited activities, or other respects.

14. **Governing Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia.

15. **Remedies and Forum**. The parties agree that they will not file any action arising out of this Agreement other than in the United States District Court for the Northern District of Georgia or the State or Superior Courts of Cobb County, Georgia. Notwithstanding the pendency of any proceeding, either party shall be entitled to injunctive relief in a state or federal court located in Cobb County, Georgia upon a showing of irreparable injury. The parties consent to personal jurisdiction and venue solely within these forums and solely in Cobb County, Georgia and waive all otherwise possible objections thereto. The prevailing party shall be entitled to recover its costs and attorney's fees from the non-prevailing party(ies) in any such proceeding no later than 90 days following the settlement or final resolution of any such proceeding. The existence of any claim or cause of action by the Executive against the Company or the Company's subsidiaries, including any dispute relating to the termination of this Agreement, shall not constitute a defense to enforcement of said covenants by injunction.

16. **Notices**. All written notices required by this Agreement shall be deemed given when delivered personally or sent by registered or certified mail, return receipt requested, or by a nationally-recognized overnight delivery service to the parties at their addresses set forth on the signature page of this Agreement. Each party may, from time to time, designate a different address to which notices should be sent.

17. **Amendment**. This Agreement may not be varied, altered, modified or in any way amended except by an instrument in writing executed by the parties hereto or their legal representatives.

18. **Binding Effect**. This Agreement shall be binding upon the Executive and on the Company, and their successors and assigns effective on the date first above written. Executive consents to any assignment of this Agreement by the Company, so long as the Company will require any successor to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. If the Executive dies before receiving all payments due under this Agreement, unless expressly otherwise provided hereunder or in a separate plan, program, arrangement or agreement, any remaining payments due after the Executive's death shall be made to the Executive's beneficiary designated in

writing (provided such writing is executed and dated by the Executive and delivered to the Company in a form acceptable to the Company prior to the Executive's death) and surviving the Executive or, if none, to the Executive's estate.

19. **No Construction Against Any Party**. This Agreement is the product of informed negotiations between the Executive and the Company. If any part of this Agreement is deemed to be unclear or ambiguous, it shall be construed as if it were drafted jointly by all parties. The Executive and the Company agree that none of the parties were in a superior bargaining position regarding the substantive terms of this Agreement.

20. **Deferred Compensation Omnibus Provision**. Notwithstanding any other provision of this Agreement, it is intended that any payment or benefit which is provided pursuant to or in connection with this Agreement which is considered to be deferred compensation subject to Section 409A of the Code shall be provided and paid in a manner, and at such time, including without limitation payment and provision of benefits only in connection with the occurrence of a permissible payment event contained in Section 409A (e.g. separation from service from the Company and its affiliates as defined for purposes of Section 409A of the Code), and in such form, as complies with the applicable requirements of Section 409A of the Code to avoid the unfavorable tax consequences provided therein for non-compliance. Notwithstanding any other provision of this Agreement, the Company's Compensation Committee or Board of Directors is authorized to amend this Agreement, to amend or void any election made by the Executive under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by it to be necessary or appropriate to comply, or to evidence or further evidence required compliance, with Section 409A of the Code (including any transition or grandfather rules thereunder). For purposes of this Agreement, all rights to payments and benefits hereunder shall be treated as rights to receive a series of separate payments and benefits to the fullest extent allowed by Section 409A of the Code. If the Executive is a key employee (as defined in Section 416(i) of the Code without regard to paragraph (5) thereof) and any of the Company's stock is publicly traded on an established securities market or otherwise, then payment of any amount or provision of any benefit under this Agreement which is considered deferred compensation subject to Section 409A of the Code shall be deferred for six (6) months after termination of Executive's employment or, if earlier, Executive's death, as required by Section 409A(a)(2)(B)(i) of the Code (the "409A Deferral Period"). In the event such payments are otherwise due to be made in installments or periodically during the 409A Deferral Period, the payments which would otherwise have been made in the 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the 409A Deferral Period ends, and the balance of the payments shall be made as otherwise scheduled. In the event benefits are required to be deferred, any such benefit may be provided during the 409A Deferral Period at the Executive's expense, with the Executive having a right to reimbursement from the Company once the 409A Deferral Period ends, and the balance of the benefits shall be provided as otherwise scheduled. For purposes of this Agreement, termination of employment shall mean a "separation from service" within the meaning of Section 409A of the Code where it is reasonably anticipated that no further services would be performed after such date or that the level of bona fide services Executive would perform after that date (whether as an employee or independent contractor) would permanently decrease to no more than 20 percent of the average level of bona fide services performed over the immediately preceding 36-month period (or, if lesser, Executive's period of service).

21. **Mandatory Reduction of Payments in Certain Events**. Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") would be subject to the excise tax (the "Excise Tax") imposed by Section 4999 of the Code, then, prior to the making of any Payment to Executive, a calculation shall be made comparing (i) the net benefit to Executive of the Payment after payment of the Excise Tax to (ii) the net benefit to Executive if the Payment had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (i) above is less than the amount calculated under (ii) above, then the Payment shall be limited to the extent necessary to avoid being subject to the Excise Tax (the "Reduced Amount"). In that event, cash payments shall be modified or reduced first and then any other benefits. The determination of whether an Excise Tax would be imposed, the amount of such Excise Tax, and the calculation of the amounts referred to in clauses (i) and (ii) of the foregoing sentence shall be made by an independent accounting firm selected by Company and reasonably acceptable to the Executive, at the Company's expense (the "Accounting Firm"), and the Accounting Firm shall provide detailed supporting calculations. Any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Payments which Executive was entitled to, but did not receive pursuant to this Section 21, could have been made without the imposition of the Excise Tax ("Underpayment"). In such event, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

22. **Entire Agreement**. Except as provided in the next sentence, this Agreement constitutes the entire agreement of the parties with respect to the matters addressed herein and it supersedes all other prior agreements and understandings, both written and oral, express or implied, with respect to the subject matter of this Agreement. It is further specifically agreed and acknowledged that, except as provided herein, the Executive shall not be entitled to severance payments or benefits under any severance or similar plan, program, arrangement or agreement of or with the Company for any termination of employment occurring while this Agreement is in effect.

[Signatures are on the following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written herein.

PRG-SCHULTZ INTERNATIONAL, INC.

By: /s/ Jennifer Moore
Its: Senior VP - Human Resources
600 Galleria Parkway
Suite 100
Atlanta, Georgia 30339
Attn: Senior Vice President, Human Resources

EXECUTIVE

/s/ Victor A. Allums
Victor A. Allums

EXHIBIT A

ADDITIONAL TERMS, COMPENSATION AND BENEFITS

None

EXHIBIT B

RESTRICTED TERRITORY

The Atlanta-Sandy Springs-Marietta, GA Metropolitan Statistical Area.

Exhibit 10.32

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into as of November 28, 2008, by and between PRG-Schultz International, Inc., a Georgia corporation (the “Company”), and Jennifer Moore (the “Executive”). This Agreement supersedes, replaces and terminates any employment agreement previously entered into by and among the Company and/or any of its subsidiaries and the Executive.

W I T N E S S E T H:

WHEREAS, the Company considers the availability of the Executive’s services to be important to the management and conduct of the Company’s business and desires to secure the availability of the Executive’s services; and

WHEREAS, the Executive is willing to make the Executive’s services available to the Company on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth and intending to be legally bound, the Company and the Executive agree as follows:

1. **Employment and Duties**.

(a) **Position.** The Company hereby employs the Executive, and the Executive hereby accepts such employment, as the Senior Vice President — Human Resources of the Company, on the terms and subject to the conditions of this Agreement. The Executive agrees to perform such duties and responsibilities as are customarily performed by persons acting in such capacity or as are assigned to Executive from time to time by the Board of Directors of the Company or its designees. The Executive acknowledges and agrees that from time to time the Company may assign Executive additional positions with the Company or the Company’s subsidiaries, with such title, duties and responsibilities as shall be determined by the Company. The Executive agrees to serve in any and all such positions without additional compensation. The Executive will report directly to the Chief Executive Officer of the Company.

(b) **Duties.** The Executive shall devote the Executive’s best efforts and full professional time and attention to the business and affairs of the Company and the Company’s subsidiaries. During the Term, Executive shall not serve as a director or principal of any other company or charitable or civic organization without the prior written consent of the Board of Directors of the Company. The principal place(s) of employment of the Executive shall be the Company’s executive offices in Atlanta, Georgia subject to reasonable travel on the business of the Company or the Company’s subsidiaries. The Executive shall be expected to follow and be bound by the terms of the Company’s Code of Conduct and Code of Ethics for Senior Financial Officers and any other applicable policies as the Company from time to time may adopt.

2. **Term**. The term of this Agreement is effective as of the date set forth above (the “Effective Date”), and will continue through the first anniversary of the Effective Date, unless terminated or extended as hereinafter provided. This Agreement shall be extended for successive one-year periods following the original term (through each subsequent anniversary thereafter) unless any party notifies the other in writing at least 30 days prior to the end of the original term, or

the end of any additional one-year renewal term, that the Agreement shall not be extended beyond its then current term. The term of this Agreement, including any renewal term, is referred to herein as the "Term."

3. **Compensation**.

(a) **Base Salary**. The Company shall pay the Executive an annual base salary of $190,000.00. The annual base salary shall be paid to the Executive in accordance with the established payroll practices of the Company (but no less frequently than monthly) subject to ordinary and lawful deductions. The Compensation Committee of the Company will review the Executive's base salary from time to time to consider whether any increase should be made. The base salary during the Term will not be less than that in effect at any time during the Term.

(b) **Annual Bonus**. During the Term, the Executive will be eligible to participate in an annual incentive bonus plan that will establish measurable criteria and incentive compensation levels payable to the Executive for performance in relation to defined targets established by the Compensation Committee of the Company's Board of Directors, after consultation with management, and consistent with the Company's business plans and objectives. To the extent the targeted performance levels are exceeded, the incentive bonus plan will provide a means by which the annual bonus will be increased. Similarly, the incentive plan will provide a means by which the annual bonus will be decreased or eliminated if the targeted performance levels are not achieved. In connection with such annual incentive bonus plan, subject to the corresponding performance levels being achieved, the Executive shall be eligible for an annual target bonus equal to 50 percent of the Executive's annual base salary and an annual maximum bonus equal to 100 percent of the Executive's annual base salary. Any bonus payments due hereunder shall be payable to the Executive no later than the 15th day of the third month following the end of the applicable year to which the incentive bonus relates.

(c) **Stock Compensation**. The Executive also shall be eligible to receive stock options, restricted stock, stock appreciation rights and/or other equity awards under the Company's applicable equity plans on such basis as the Compensation Committee or the Board of Directors of the Company or their designees, as the case may be, may determine on a basis not less favorable than that provided to the class of employees that includes the Executive. Except as specifically set forth above, however, nothing herein shall require the Company to make any equity grants or other awards to the Executive in any specific year.

4 **Indemnity.** The Company and the Executive have entered or will enter into the Company's standard indemnification agreement for executive officers.

5. **Benefits**.

(a) **Benefit Programs**. The Executive shall be eligible to participate in any plans, programs or forms of compensation or benefits that the Company or the Company's subsidiaries provide to the class of employees that includes the Executive, on a basis not less favorable than that provided to such class of employees, including, without limitation, group medical, disability and life insurance, paid time-off, and retirement plan, subject to the terms and conditions of such plans, programs or forms of compensation or benefits.

(b) **Paid Time-Off**. The Executive shall be entitled to five weeks of paid time-off, to be accrued and used in accordance with the normal Company paid time-off policy.

(c) **Additional Terms, Compensation and Benefits**. The additional terms, compensation and benefits, if any, listed on Exhibit A attached hereto, shall also apply to the Executive's employment for the duration specified therein.

6. **Reimbursement of Expenses**. The Company shall reimburse the Executive, subject to presentation of adequate substantiation, including receipts, for the reasonable travel, entertainment, lodging and other business expenses incurred by the Executive in accordance with the Company's expense reimbursement policy in effect at the time such expenses are incurred. In no event will such reimbursements, if any, be made later than the last day of the year following the year in which the Executive incurs the expense.

7. **Termination of Employment**.

(a) **Death or Incapacity**. The Executive's employment under this Agreement shall terminate automatically upon the Executive's death. If the Company determines that the Incapacity, as hereinafter defined, of the Executive has occurred, it may terminate the Executive's employment and this Agreement. "Incapacity" shall mean the inability of the Executive to perform the essential functions of the Executive's job, with or without reasonable accommodation, for a period of 90 days in the aggregate in any rolling 180-day period.

(b) **Termination by Company For Cause**. The Company may terminate the Executive's employment during the Term of this Agreement for Cause. For purposes of this Agreement, "Cause" shall mean, as determined by the Board of Directors of the Company in good faith, the following:

(i) the Executive's willful misconduct or gross negligence in connection with the performance of the Executive's duties which the Board of Directors of the Company believes does or is likely to result in material harm to the Company or any of its subsidiaries;

(ii) the Executive's misappropriation or embezzlement of funds or property of the Company or any of its subsidiaries;

(iii) the Executive's fraud or dishonesty with respect to the Company or any of its subsidiaries;

(iv) the Executive's conviction of, indictment for (or its procedural equivalent), or entering of a guilty plea or plea of no contest with respect to any felony or any other crime involving moral turpitude or dishonesty; or

(v) the Executive's breach of a material term of this Agreement, or violation in any material respect of any code or standard of behavior generally applicable to officers of the Company (including, without, limitation the Company's Code of Conduct, Code of Ethics for Senior Financial Officers and any other applicable policies as the Company from time to time may adopt), after being advised in writing of such breach or violation and being given 30 days to remedy such breach or violation, to the extent that such breach or violation can be cured;

(vi) the Executive's breach of fiduciary duties owed to the Company or any of its subsidiaries;

(vii) the Executive's engagement in habitual insobriety or the use of illegal drugs or substances; or

(viii) the Executive's willful failure to cooperate, or willful failure to cause and direct persons under the Executive's management or direction, or employed by, or consultants or agents to, the Company or its subsidiaries to cooperate, with all corporate investigations or independent investigations by the Board of Directors of the Company or its subsidiaries, all governmental investigations of the Company or its subsidiaries or orders involving the Executive, the Company or the Company's subsidiaries entered by a court of competent jurisdiction.

Notwithstanding the above, and without limitation, the Executive shall not be deemed to have been terminated for Cause unless and until there has been delivered to the Executive (i) a letter from the Board of Directors of the Company finding that the Executive has engaged in the conduct set forth in any of the preceding clauses and specifying the particulars thereof in detail and (ii) a copy of a resolution duly adopted by the affirmative vote of the majority of the members of the Board of Directors of the Company who are not officers of the Company at a meeting of the Board of Directors called and held for such purpose or such other appropriate written consent (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board of Directors of the Company), finding that the Executive has engaged in such conduct and specifying the particulars thereof in detail.

(c) **Termination by Executive for Good Reason**. The Executive may terminate the Executive's employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without the Executive's consent, the following:

(i) any action taken by the Company which results in a material reduction in the Executive's authority, duties or responsibilities (except that any change in the foregoing that results solely from (A) the Company ceasing to be a publicly traded entity or from the Company becoming a wholly-owned subsidiary of another publicly traded entity or (B) any change in the geographic scope of the Executive's authority, duties or responsibilities will not, in any event and standing alone, constitute a substantial reduction in the Executive's authority, duties or responsibilities), including any requirement that the Executive report directly to anyone other than the Chief Executive Officer of the Company;

(ii) the assignment to the Executive of duties that are materially inconsistent with Executive's authority, duties or responsibilities;

(iii) any material decrease in the Executive's base salary or annual bonus opportunity or the benefits generally available to the class of employees that includes the Executive, except to the extent the Company has instituted a salary, bonus or benefits reduction generally applicable to all executives of the Company other than in contemplation of or after a Change in Control;

(iv) the relocation of the Executive to any primary place of employment other than as specified in Section 1(b) above which might require the Executive to move the Executive's residence which, for this purpose, means any reassignment to a place of employment 50 miles or more from the place (or, if applicable, all places) of employment set forth in Section 1(b), without the Executive's express written consent to such relocation; provided, however, this subsection (iv) shall not apply in the case of business travel which requires the Executive to relocate temporarily for periods of 90 days or less;

(v) the failure by the Company to pay to the Executive any portion of the Executive's base salary, annual bonus or other benefits within 10 days after the date the same is due; or

(vi) any material failure by the Company to comply with the terms of this Agreement.

Notwithstanding the above, and without limitation, "Good Reason" shall not include any resignation by the Executive where Cause for the Executive's termination by the Company exists and the Company then follows the procedures described above. The Executive must give the Company notice of any event or condition that would constitute "Good Reason" within 30 days of the event or condition which would constitute "Good Reason," and upon the receipt of such notice the Company shall have 30 days to remedy such event or condition. If such event or condition is not remedied within such 30-day period, any termination of employment by the Executive for "Good Reason" must occur within 30 days after the period for remedying such condition or event has expired.

(d) **Termination by Company Without Cause or by Executive Other than For Good Reason** The Company may terminate the Executive's employment during the Term of this Agreement without Cause, and Executive may terminate the Executive's employment for other than Good Reason, upon 30 days' written notice. The Company may elect to pay the Executive during any applicable notice period (in accordance with the established payroll practices of the Company, no less frequently than monthly) and remove him from active service.

(e) **Termination by Executive on Failure to Renew**. The Executive may terminate the Executive's employment at any time on or before the expiration of the Term of the Agreement, if the Company notifies the Executive that the Term of the Agreement shall not be extended as provided in Section 2 above.

8. **Obligations of the Company Upon Termination**

(a) **Without Cause; Good Reason; Non-Renewal (No Change in Control)**. If, during the Term, the Company terminates the Executive's employment without Cause in accordance with Section 7(d) hereof, the Executive terminates the Executive's employment for Good Reason in accordance with Section 7(c) hereof, or the Executive terminates the Executive's employment upon the Company's failure to renew the Agreement in accordance with Section 7(e) hereof, other than within two years after a Change in Control, subject to Section 20 below, the Executive shall be entitled to receive:

(i) payment of the Executive's annual base salary in effect immediately preceding the date of the Executive's termination of employment (or, if greater, the

Executive's annual base salary in effect immediately preceding any action by the Company described in Section 7(c)(iii) above for which the Executive has terminated the Executive's employment for Good Reason), for the period equal to the greater of one year or the sum of four weeks for each full year of continuous service the Executive has with the Company and its subsidiaries at the time of termination of employment, beginning immediately following termination of employment (the "Severance Period"), payable in accordance with the established payroll practices of the Company (but no less frequently than monthly), beginning on the first payroll date following 30 days after termination of employment, with the Executive to receive at that time a lump sum payment with respect to any installments the Executive was entitled to receive during the first 30 days following termination of employment, and the remaining payments made as if they had commenced immediately following termination of employment;

(ii) payment of an amount equal to the Executive's actual earned full-year bonus for the year in which the termination of Executive's employment occurs, prorated based on the number of days the Executive was employed for the year, payable at the time the Executive's annual bonus for the year otherwise would be paid had the Executive continued employment;

(iii) continuation after the date of termination of employment of any health care (medical, dental and vision) plan coverage, other than that under a flexible spending account, provided to the Executive and the Executive's spouse and dependents at the date of termination for the Severance Period, on a monthly or more frequent basis, on the same basis and at the same cost to the Executive as available to similarly-situated active employees during such Severance Period, provided that such continued participation is possible under the general terms and provisions of such plans and programs and provided that such continued coverage by the Company shall terminate in the event Executive becomes eligible for any such coverage under another employer's plans. If the Company reasonably determines that maintaining such coverage for the Executive or the Executive's spouse or dependents is not feasible under the terms and provisions of such plans and programs (or where such continuation would adversely affect the tax status of the plan pursuant to which the coverage is provided), the Company shall pay the Executive cash equal to the estimated cost of the expected Company contribution therefor for such same period of time, with such payments to be made in accordance with the established payroll practices of the Company (not less frequently than monthly) for the period during which such cash payments are to be provided;

(iv) payment of any Accrued Obligations. For purposes of this Agreement, "Accrued Obligations" shall mean the sum of (A) the Executive's annual base salary through Executive's termination of employment which remains unpaid, (B) the amount, if any, of any incentive or bonus compensation earned for any completed fiscal year of the Company which has not yet been paid, (C) any reimbursements for expenses incurred but not yet paid, and (D) any benefits or other amounts, including both cash and stock components, which pursuant to the terms of any plans, policies or programs have been earned or become payable, but which have not yet been paid to the Executive, including payment for any unused paid time-off (but not including amounts that previously had been deferred at the Executive's request, which amounts will be paid in accordance with the Executive's existing directions). The Accrued Obligations will be paid to the Executive in a

lump sum as soon as administratively feasible after the Executive's termination of employment, which for purposes of any incentive or bonus compensation described in (B) above shall mean at the same time such annual bonus would otherwise have been paid;

(v) vesting in full of the Executive's outstanding unvested options, restricted stock and other equity-based awards that would have vested based solely on the continued employment of the Executive. Additionally, all of Executive's outstanding stock options shall remain outstanding until the earlier of (i) one year after the date of termination of the Executive's employment or (ii) the original expiration date of the options (disregarding any earlier expiration date provided for in any other agreement, including without limitation any related grant agreement, based solely on the termination of the Executive's employment); and

(vi) payment of one year of outplacement services from Executrack or an outplacement service provider of the Executive's choice, limited to $20,000 in total. This outplacement services benefit will be forfeited if the Executive does not begin using such services within 60 days after the termination of the Executive's employment.

(b) **Without Cause; Good Reason; Non-Renewal (Change in Control)**. If, during the Term, the Company terminates the Executive's employment without Cause in accordance with Section 7(d) hereof, the Executive terminates the Executive's employment for Good Reason in accordance with Section 7(c) hereof, or the Executive terminates the Executive's employment upon the Company's failure to renew the Agreement in accordance with Section 7(e) hereof, within two years after a Change in Control, subject to Section 20 below, the Executive shall be entitled to receive:

(i) payment of the Executive's annual base salary in effect immediately preceding the date of the Executive's termination of employment (or, if greater, the Executive's annual base salary in effect immediately preceding any action by the Company described in Section 7(c)(iii) above for which the Executive has terminated the Executive's employment for Good Reason), for the period equal to the greater of 18 months or the sum of four weeks for each full year of continuous service the Executive has with the Company and its subsidiaries at the time of termination of employment, beginning immediately following termination of employment (the "Change in Control Severance Period"), payable in accordance with the established payable practices of the Company (but no less frequently than monthly), beginning on the first payroll date following 30 days after termination of employment, with the Executive to receive at that time a lump sum payment with respect to any installments the Executive was entitled to receive during the first 30 days following termination of employment;

(ii) payment of an amount equal to the Executive's actual earned full-year bonus for the year in which the termination of Executive's employment occurs, prorated based on the number of days the Executive was employed for the year, payable at the time the Executive's annual bonus for the year otherwise would be paid had the Executive continued employment;

(iii) continuation after the date of termination of employment of any health care (medical, dental and vision) plan coverage, other than that under a flexible

spending account, provided to the Executive and the Executive's spouse and dependents at the date of termination for the Change in Control Severance Period, on a monthly or more frequent basis, on the same basis and at the same cost to the Executive as available to similarly-situated active employees during such Change in Control Severance Period, provided that such continued participation is possible under the general terms and provisions of such plans and programs and provided that such continued contribution by the Company shall terminate in the event Executive becomes eligible for any such coverage under another employer's plans. If the Company reasonably determines that maintaining such coverage for the Executive or the Executive's spouse or dependents is not feasible under the terms and provisions of such plans and programs (or where such continuation would adversely affect the tax status of the plan pursuant to which the coverage is provided), the Company shall pay the Executive cash equal to the estimated cost of the expected Company contribution therefor for such same period of time, with such payments to be made in accordance with the established payroll practices of the Company (not less frequently than monthly) for the period during which such cash payments are to be provided;

(iv) payment of any Accrued Obligations in a lump sum as soon as administratively feasible after the Executive's termination of employment, which for purposes of any incentive or bonus compensation described in Section 8(a)(iv)(B) above shall mean at the same time such annual bonus would otherwise have been paid;

(v) vesting in full of the Executive's outstanding unvested options, restricted stock and other equity-based awards that would have vested based solely on the continued employment of the Executive. Additionally, all of the Executive's outstanding stock options shall remain outstanding until the earlier of (i) one year after the date of termination of the Executive's employment or (ii) the original expiration date of the options (disregarding any earlier expiration date provided for in any other agreement, including without limitation any related grant agreement, based solely on the termination of the Executive's employment); and

(vi) payment of one year of outplacement services from Executrack or an outplacement service provider of the Executive's choice, limited to $20,000 in total. This outplacement services benefit will be forfeited if the Executive does not begin using such services within 60 days after the termination of the Executive's employment.

(c) **Death or Incapacity**. If the Executive's employment is terminated by reason of death or Incapacity in accordance with Section 7(a) hereof, the Executive shall be entitled to receive:

(i) payment of an amount equal to the actual full-year bonus earned for the year that includes Executive's death or Incapacity, prorated based on the number of days the Executive is employed for the year, payable at the same time such annual bonus would otherwise have been paid had the Executive continued employment; and

(ii) payment of any Accrued Obligations in a lump sum as soon as administratively feasible after the Executive's termination of employment, which for purposes of any incentive or bonus compensation described in Section 8(a)(iv)(B) above shall mean at the same time such annual bonus would otherwise have been paid.

(d) **Cause; Other Than for Good Reason**. If the Company terminates the Executive's employment for Cause in accordance with Section 7(b) hereof, or the Executive terminates the Executive's employment other than for Good Reason in accordance with Section 7(d) hereof, this Agreement shall terminate without any further obligation to the Executive other than to pay the Accrued Obligations (except that any incentive or bonus compensation earned for any completed fiscal year of the Company which has not yet been paid shall not be paid if the Company terminates the Executive's employment for Cause in accordance with Section 7(b) hereof) as soon as administratively feasible after the Executive's termination of employment.

(e) **Release and Waiver**. Notwithstanding any other provision of this Agreement, the Executive's right to receive any payments or benefits under Sections 8(a)(i), (ii), (iii), (v) and (vi) and 8(b)(i), (ii), (iii), (v) and (vi) of this Agreement upon the termination of the Executive's employment by the Company without Cause, by the Executive for Good Reason, or by the Executive upon the Company's failure to renew the Agreement is contingent upon and subject to the Executive signing and delivering to the Company a separation agreement and complete general release of all claims in a form acceptable to Company, and allowing the applicable revocation period required by law to expire without revoking or causing revocation of same, within 30 days following the date of termination of Executive's employment.

(f) **Change in Control**. For purposes of this Agreement, Change of Control means the occurrence of any of the following events:

(i) The accumulation in any number of related or unrelated transactions by any person of beneficial ownership (as such term is used in Rule 13d-3, promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of 50 percent or more of the combined total voting power of the Company's voting stock; provided that for purposes of this subsection (a), a Change in Control will not be deemed to have incurred if the accumulation of 50 percent or more of the voting power of the Company's voting stock results from any acquisition of voting stock (i) by the Company, (ii) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of the Company's subsidiaries, or (iii) by any person pursuant to a merger, consolidation, reorganization or other transaction (a "Business Combination") that would not cause a Change in Control under subsection (ii) below; or

(ii) A consummation of a Business Combination, unless, immediately following that Business Combination, substantially all the persons who were the beneficial owners of the voting stock of the Company immediately prior to that Business Combination beneficially own, directly or indirectly, at least 50 percent of the combined voting power of the voting stock of the entity resulting from that Business Combination (including, without limitation, an entity that as a result of that transaction owns the Company, or all or substantially all of the Company assets, either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as the ownership, immediately prior to that Business Combination, of the voting stock of the Company;

(iii) A sale or other disposition of all or substantially all of the assets of the Company except pursuant to a Business Combination that would not cause a Change in Control under subsection (ii) above;

(iv) At any time less than a majority of the members of the Board of Directors of the Company or any entity resulting from any Business Combination are Incumbent Board Members.

(v) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that would not cause a Change in Control under subsection (ii) above; or

(vi) Any other transaction or event that the Board of Directors of the Company identifies as a Change in Control for purposes of this Agreement.

(vii) For purposes of this Agreement, an "Incumbent Board Member" shall mean any individual who either is (a) a member of the Company Board of Directors as of the effective date of this Agreement or (b) a member who becomes a member of the Company's Board of Directors subsequent to the date of this Agreement, whose election or nomination by the Company's shareholders, was approved by a vote of at least a majority of the then Incumbent Board Members (either by specific vote or by approval of a proxy statement of the Company in which that person is named as a nominee for director, without objection to that nomination), but excluding, for that purpose, any individual whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14A-11 of the Exchange Act) with respect to the election or removal of directors or other actual threatened solicitation or proxies or consents by or on behalf of the person other than a board of directors. For purposes of this Agreement, a person means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint-stock company, trusts, unincorporated organization or any other entity of any kind.

9. **Business Protection Agreements**.

(a) **Definitions**. For purposes of this Agreement, the following terms shall have the following meanings:

(i) "Business of the Company" means services to (A) identify clients' erroneous or improper payments, (B) assist clients in the recovery of monies owed to them as a result of overpayments and overlooked discounts, rebates, allowances and credits, and (C) assist clients in the improvement and execution of their procurement and payment processes.

(ii) "Confidential Information" means any information about the Company or the Company's subsidiaries and their employees, customers and/or suppliers which is not generally known outside of the Company or the Company's subsidiaries, which Executive learns of in connection with Executive's employment with the Company, and which would be useful to competitors or the disclosure of which would be damaging to the Company or the Company's subsidiaries. Confidential Information includes, but is not limited to: (A) business and employment policies, marketing methods and the targets of those methods, finances, business plans, promotional materials and price lists; (B) the terms upon which the Company or the Company's subsidiaries obtains products from their suppliers and sells services and products to customers; (C) the nature, origin, composition

and development of the Company or the Company's subsidiaries' services and products; and (D) the manner in which the Company or the Company's subsidiaries provide products and services to their customers.

(iii) "Material Contact" means contact in person, by telephone, or by paper or electronic correspondence in furtherance of the Business of the Company.

(iv) "Restricted Territory" means, and is limited to, the geographic area described in Exhibit B attached hereto. Executive acknowledges and agrees that this is the area in which the Company and its subsidiaries does business at the time of the execution of this Agreement, and in which the Executive will have responsibility, at a minimum, on behalf of the Company and the Company's subsidiaries. Executive acknowledges and agrees that if the geographic area in which Executive has responsibility should change while employed under this Agreement, Executive will execute an amendment to the definition of "Restricted Territory" to reflect such change. This duty shall be part of the consideration provided by Executive for Executive's employment hereunder.

(v) "Trade Secrets" means the trade secrets of the Company or the Company's subsidiaries as defined under applicable law.

(b) **Confidentiality**. Executive agrees that the Executive will not (other than in the performance of Executive's duties hereunder), directly or indirectly, use, copy, disclose or otherwise distribute to any other person or entity: (a) any Confidential Information during the period of time the Executive is employed by the Company and for a period of five years thereafter; or (b) any Trade Secret at any time such information constitutes a trade secret under applicable law. Upon the termination of Executive's employment with the Company (or upon the earlier request of the Company), Executive shall promptly return to the Company all documents and items in the Executive's possession or under the Executive's control which contain any Confidential Information or Trade Secrets.

(c) **Non-Competition**. Executive agrees that during the Executive's employment with the Company and for a period of two years thereafter, Executive will not, either for himself or on behalf of any other person or entity, compete with the Business of the Company within the Restricted Territory by performing activities which are the same as or similar to those performed by Executive for the Company or the Company's subsidiaries.

(d) **Non-Solicitation of Customers**. Executive agrees that during Executive's employment with the Company and for a period of two years thereafter, Executive shall not, directly or indirectly, solicit any actual or prospective customers of the Company or the Company's subsidiaries with whom Executive had Material Contact, for the purpose of selling any products or services which compete with the Business of the Company

(e) **Non-Recruitment of Employees or Contractors**. Executive agrees that during the Executive's employment with the Company and for a period of two years thereafter, Executive will not, directly or indirectly, solicit or attempt to solicit any employee or contractor of

the Company or the Company's subsidiaries with whom Executive had Material Contact, to terminate or lessen such employment or contract.

(f) **<u>Obligations of the Company</u>**. The Company agrees to provide Executive with Confidential Information in order to enable Executive to perform Executive's duties hereunder. The covenants of Executive contained in the covenants of Confidentiality, Non-Competition, Non-Solicitation of Customers and Non-Recruitment of Employees or Contractors set forth in Subsections 9(b) — 9(e) above ("Protective Covenants") are made by Executive in consideration for the Company's agreement to provide Confidential Information to Executive, and intended to protect Company's Confidential Information and the investments the Company makes in training Executive and developing customer goodwill.

(g) **<u>Acknowledgments</u>**. Executive hereby acknowledges and agrees that the covenants contained in (b) through (e) of this Section 9 and Section 10 hereof are reasonable as to time, scope and territory given the Company and the Company's subsidiaries' need to protect their business, customer relationships, personnel, Trade Secrets and Confidential Information. Executive acknowledges and represents that Executive has substantial experience and knowledge such that Executive can readily obtain subsequent employment which does not violate this Agreement.

(h) **<u>Specific Performance</u>**. Executive acknowledges and agrees that any breach of any of the Protective Covenants or the provisions of Section 10 by him will cause irreparable damage to the Company or the Company's subsidiaries, the exact amount of which will be difficult to determine, and that the remedies at law for any such breach will be inadequate. Accordingly, Executive agrees that, in addition to any other remedy that may be available at law, in equity, or hereunder, the Company shall be entitled to specific performance and injunctive relief, without posting bond or other security, to enforce or prevent any violation of any of the Protective Covenants by him.

10. **<u>Ownership of Work Product</u>**.

(a) **<u>Assignment of Inventions</u>**. Executive will make full written disclosure to the Company, and hold in trust for the sole right and benefit of the Company, and hereby assigns to the Company, or its designees, all of the Executive's right, title, and interest in and to any and all inventions, original works of authorship, developments, concepts, improvements or trade secrets, whether or not patentable or registrable under copyright or similar laws, which the Executive may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of time the Executive is engaged as an employee of the Company (collectively referred to as "Inventions") and which (i) are developed using the equipment, supplies, facilities or Confidential Information or Trade Secrets of the Company or the Company's subsidiaries, (ii) result from or are suggested by work performed by Executive for the Company or the Company's subsidiaries, or (iii) relate at the time of conception or reduction to practice to the business as conducted by the Company or the Company's subsidiaries, or to the actual or demonstrably anticipated research or development of the Company or the Company's subsidiaries, will be the sole and exclusive property of the Company or the Company's subsidiaries, and Executive will and hereby does assign all of the Executive's right, title and interest in such Inventions to the Company and the Company's subsidiaries. Executive further acknowledge that all original works of authorship which are made by him (solely or jointly with others) within the scope of and during the period of the Executive's employment arrangement with the Company and which

are protectible by copyright are “works made for hire,” as that term is defined in the United States Copyright Act.

(b) **Patent and Copyright Registrations**. Executive agrees to assist the Company and the Company’s subsidiaries, or their designees, at the Company or the Company’s subsidiaries’ expense, in every proper way to secure the Company’s or the Company’s subsidiaries’ rights in the Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, including the disclosure to the Company and the Company’s subsidiaries of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which the Company or the Company’s subsidiaries shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to the Company and its subsidiaries, and their successors, assigns, and nominees the sole and exclusive rights, title and interest in and to such Inventions, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. Executive further agree that the Executive’s obligation to execute or cause to be executed, when it is in the Executive’s power to do so, any such instrument or papers shall continue after the termination of this Agreement.

(c) **Inventions Retained and Licensed**. There are no inventions, original works of authorship, developments, improvements, and trade secrets which were made by Executive prior to the Executive’s employment with the Company (collectively referred to as “Prior Inventions”), which belong to Executive, which relate to the Company’s or the Company’s subsidiaries’ proposed business, products or research and development, and which are not assigned to the Company or the Company’s subsidiaries hereunder.

(d) **Return of Company Property and Information**. The Executive agrees not to remove any property of the Company or the Company’s subsidiaries or information from the premises of the Company or the Company’s subsidiaries, except when authorized by the Company or the Company’s subsidiaries. Executive agrees to return all such property and information within seven days following the cessation of Executive’s employment for any reason. Such property includes, but is not limited to, the original and any copy (regardless of the manner in which it is recorded) of all information provided by the Company or the Company’s subsidiaries to the Executive or which the Executive has developed or collected in the scope of the Executive’s employment, as well as all issued equipment, supplies, accessories, vehicles, keys, instruments, tools, devices, computers, cell phones, materials, documents, plans, records, notebooks, drawings, or papers. Upon request by the Company, the Executive shall certify in writing that all copies of information subject to this Agreement located on the Executive’s computers or other electronic storage devices have been permanently deleted. Provided, however, the Executive may retain copies of documents relating to any employee benefit plans applicable to the Executive and income records to the extent necessary for the Executive to prepare the Executive’s individual tax returns.

11. **Mitigation**. The Executive shall not be required to mitigate the amount of any payment the Company becomes obligated to make to the Executive in connection with this Agreement, by seeking other employment or otherwise. Except as specifically provided above with respect to the health care continuation benefit, the amount of any payment provided for in Section 8 shall not be reduced, offset or subject to recovery by the Company by reason of any compensation earned by the Executive as the result of employment by another employer after the Date of Termination, or otherwise.

12. **Withholding of Taxes.** The Company shall withhold from any amounts or benefits payable under this Agreement all federal, state, city or other taxes that the Company is required to withhold under any applicable law, regulation or ruling.

13. **Modification and Severability**. The terms of this Agreement shall be presumed to be enforceable, and any reading causing unenforceability shall yield to a construction permitting enforcement. If any single covenant or provision in this Agreement shall be found unenforceable, it shall be severed and the remaining covenants and provisions enforced in accordance with the tenor of the Agreement. In the event a court should determine not to enforce a covenant as written due to overbreadth, the parties specifically agree that said covenant shall be enforced to the maximum extent reasonable, whether said revisions be in time, territory, scope of prohibited activities, or other respects.

14. **Governing Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia.

15. **Remedies and Forum**. The parties agree that they will not file any action arising out of this Agreement other than in the United States District Court for the Northern District of Georgia or the State or Superior Courts of Cobb County, Georgia. Notwithstanding the pendency of any proceeding, either party shall be entitled to injunctive relief in a state or federal court located in Cobb County, Georgia upon a showing of irreparable injury. The parties consent to personal jurisdiction and venue solely within these forums and solely in Cobb County, Georgia and waive all otherwise possible objections thereto. The prevailing party shall be entitled to recover its costs and attorney’s fees from the non-prevailing party(ies) in any such proceeding no later than 90 days following the settlement or final resolution of any such proceeding. The existence of any claim or cause of action by the Executive against the Company or the Company’s subsidiaries, including any dispute relating to the termination of this Agreement, shall not constitute a defense to enforcement of said covenants by injunction.

16. **Notices**. All written notices required by this Agreement shall be deemed given when delivered personally or sent by registered or certified mail, return receipt requested, or by a nationally-recognized overnight delivery service to the parties at their addresses set forth on the signature page of this Agreement. Each party may, from time to time, designate a different address to which notices should be sent.

17. **Amendment**. This Agreement may not be varied, altered, modified or in any way amended except by an instrument in writing executed by the parties hereto or their legal representatives.

18. **Binding Effect**. This Agreement shall be binding upon the Executive and on the Company, and their successors and assigns effective on the date first above written. Executive consents to any assignment of this Agreement by the Company, so long as the Company will require any successor to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. If the Executive dies before receiving all payments due under this Agreement, unless expressly otherwise provided hereunder or in a separate plan, program, arrangement or agreement, any remaining payments due after the Executive’s death shall be made to the Executive’s beneficiary designated in

writing (provided such writing is executed and dated by the Executive and delivered to the Company in a form acceptable to the Company prior to the Executive's death) and surviving the Executive or, if none, to the Executive's estate.

19. **No Construction Against Any Party**. This Agreement is the product of informed negotiations between the Executive and the Company. If any part of this Agreement is deemed to be unclear or ambiguous, it shall be construed as if it were drafted jointly by all parties. The Executive and the Company agree that none of the parties were in a superior bargaining position regarding the substantive terms of this Agreement.

20. **Deferred Compensation Omnibus Provision**. Notwithstanding any other provision of this Agreement, it is intended that any payment or benefit which is provided pursuant to or in connection with this Agreement which is considered to be deferred compensation subject to Section 409A of the Code shall be provided and paid in a manner, and at such time, including without limitation payment and provision of benefits only in connection with the occurrence of a permissible payment event contained in Section 409A (e.g. separation from service from the Company and its affiliates as defined for purposes of Section 409A of the Code), and in such form, as complies with the applicable requirements of Section 409A of the Code to avoid the unfavorable tax consequences provided therein for non-compliance. Notwithstanding any other provision of this Agreement, the Company's Compensation Committee or Board of Directors is authorized to amend this Agreement, to amend or void any election made by the Executive under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by it to be necessary or appropriate to comply, or to evidence or further evidence required compliance, with Section 409A of the Code (including any transition or grandfather rules thereunder). For purposes of this Agreement, all rights to payments and benefits hereunder shall be treated as rights to receive a series of separate payments and benefits to the fullest extent allowed by Section 409A of the Code. If the Executive is a key employee (as defined in Section 416(i) of the Code without regard to paragraph (5) thereof) and any of the Company's stock is publicly traded on an established securities market or otherwise, then payment of any amount or provision of any benefit under this Agreement which is considered deferred compensation subject to Section 409A of the Code shall be deferred for six (6) months after termination of Executive's employment or, if earlier, Executive's death, as required by Section 409A(a)(2)(B)(i) of the Code (the "409A Deferral Period"). In the event such payments are otherwise due to be made in installments or periodically during the 409A Deferral Period, the payments which would otherwise have been made in the 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the 409A Deferral Period ends, and the balance of the payments shall be made as otherwise scheduled. In the event benefits are required to be deferred, any such benefit may be provided during the 409A Deferral Period at the Executive's expense, with the Executive having a right to reimbursement from the Company once the 409A Deferral Period ends, and the balance of the benefits shall be provided as otherwise scheduled. For purposes of this Agreement, termination of employment shall mean a "separation from service" within the meaning of Section 409A of the Code where it is reasonably anticipated that no further services would be performed after such date or that the level of bona fide services Executive would perform after that date (whether as an employee or independent contractor) would permanently decrease to no more than 20 percent of the average level of bona fide services performed over the immediately preceding 36-month period (or, if lesser, Executive's period of service).

21. **Mandatory Reduction of Payments in Certain Events**. Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") would be subject to the excise tax (the "Excise Tax") imposed by Section 4999 of the Code, then, prior to the making of any Payment to Executive, a calculation shall be made comparing (i) the net benefit to Executive of the Payment after payment of the Excise Tax to (ii) the net benefit to Executive if the Payment had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (i) above is less than the amount calculated under (ii) above, then the Payment shall be limited to the extent necessary to avoid being subject to the Excise Tax (the "Reduced Amount"). In that event, cash payments shall be modified or reduced first and then any other benefits. The determination of whether an Excise Tax would be imposed, the amount of such Excise Tax, and the calculation of the amounts referred to in clauses (i) and (ii) of the foregoing sentence shall be made by an independent accounting firm selected by Company and reasonably acceptable to the Executive, at the Company's expense (the "Accounting Firm"), and the Accounting Firm shall provide detailed supporting calculations. Any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Payments which Executive was entitled to, but did not receive pursuant to this Section 21, could have been made without the imposition of the Excise Tax ("Underpayment"). In such event, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

22. **Entire Agreement**. Except as provided in the next sentence, this Agreement constitutes the entire agreement of the parties with respect to the matters addressed herein and it supersedes all other prior agreements and understandings, both written and oral, express or implied, with respect to the subject matter of this Agreement. It is further specifically agreed and acknowledged that, except as provided herein, the Executive shall not be entitled to severance payments or benefits under any severance or similar plan, program, arrangement or agreement of or with the Company for any termination of employment occurring while this Agreement is in effect.

[Signatures are on the following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written herein.

PRG-SCHULTZ INTERNATIONAL, INC.

By: /s/ Victor A. Allums
Its: Senior VP & General Counsel
600 Galleria Parkway
Suite 100
Atlanta, Georgia 30339
Attn: General Counsel

EXECUTIVE

/s/ Jennifer Moore
Jennifer Moore

EXHIBIT A

ADDITIONAL TERMS, COMPENSATION AND BENEFITS

None

<u>**EXHIBIT B**</u>

<u>**RESTRICTED TERRITORY**</u>

The Atlanta-Sandy Springs-Marietta, GA Metropolitan Statistical Area.

Exhibit 10.32.1

SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT (this "Agreement") is made and entered into this 26th day of October, 2009, by and between **JENNIFER MOORE** ("Executive") and **PRG-SCHULTZ INTERNATIONAL, INC.**, a Georgia corporation ("Company"). Executive and Company are sometimes hereinafter referred to together as the "Parties" and individually as a "Party."

BACKGROUND:

A. Executive was employed as the Senior Vice President — Human Resources of Company pursuant to an employment agreement, dated November 28, 2008 ("Employment Agreement"), between Executive and Company.

B. Executive and Company now mutually desire to end Executive's employment and terminate the Employment Agreement effective as of the date hereof.

C. Company and Executive wish to avoid any disputes which could arise under the Employment Agreement and have therefore compromised any claims or rights they have or may have under the Employment Agreement by agreeing to the terms of this Agreement.

NOW, THEREFORE, FOR AND IN CONSIDERATION of the premises, the mutual promises, covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Termination of Employment.** The Parties agree that (a) the Employment Agreement is hereby terminated as of the date hereof, (b) on or before September 25, 2009, Executive was notified in writing of termination of Executive's employment, effective October 30, 2009, and (c) Executive's employment relationship with Company shall terminate effective October 30, 2009 ("Termination Date"), and all benefits, privileges and authorities related to Executive's employment with Company shall hereby cease, except as otherwise specifically set forth in this Agreement.

2. **No Admission**. The Parties agree that their entry into this Agreement is not and shall not be construed to be an admission of liability or wrongdoing on the part of either Party.

3. **Future Cooperation**. Executive agrees that, notwithstanding the termination of Executive's employment on the Termination Date, Executive upon reasonable notice will make herself available to Company or its designated representatives for the purposes of: (a) providing information regarding the projects and files on which Executive worked for the purpose of transitioning such projects; and (b) providing information regarding any other matter, file, project and/or client with whom Executive was involved while employed by Company.

4. **Consideration**.

(a) In consideration for Executive's agreement to mutually terminate the Employment Agreement, to fully release Company from any and all Claims as described below, and the other duties and obligations of Executive contained herein, Company will, subject to ordinary and lawful deductions and Sections 4(b) and (c) below:

(i) Pay severance to Executive in the form of salary continuation for the twelve (12) months immediately following the Termination Date ("Severance Period"). Such payments shall be made in accordance with Company's standard pay practices in an amount equal to Seven Thousand Three Hundred Seven and 69/100 dollars ($7,307.69) per bi-weekly pay period for twenty-six (26) pay periods following Executive's Termination Date, except that no payments shall be made during the period that begins immediately after the Termination Date and ends on the earlier of (i) Executive's death or (ii) six months after the Termination Date. The payments that would otherwise have been made in such period shall be accumulated and paid in a lump sum on the first bi-weekly pay period after the end of such period.

(ii) Continue after the Termination Date any health care (medical, dental and vision) plan coverage, other than under a flexible spending account, provided to Executive and Executive's spouse and dependents at the Termination Date for the Severance Period, on a monthly or more frequent basis, on the same basis and at the same cost to Executive as available to similarly-situated active employees during such Severance Period, provided that such continued coverage shall terminate in the event Executive becomes eligible for any such coverage under another employer's plans.

(iii) Pay an amount equal to Executive's actual earned full-year bonus for the year that includes the Termination Date, pro rated based on the number of days Executive was employed for such year on and before the Termination Date, payable at the time Executive's annual bonus for such year otherwise would have been paid had Executive continued employment. Payment of a pro rated portion of Executive's target bonus hereunder is dependent upon the Company's achievement of a certain level of 2009 consolidated Company adjusted EBITDA established by the Compensation Committee and Executive's performance with respect to certain individual performance objectives for 2009 established by the Compensation Committee. Payment of a pro rated portion of Executive's maximum bonus hereunder is dependent upon the Company's achievement of a certain higher (than target) level of 2009 consolidated Company adjusted EBITDA established by the Compensation Committee and Executive's performance with respect to certain individual performance objectives for 2009 established by the Compensation Committee.

(iv) Vest in full, effective as of the date upon which the revocation period for the release described in Section 4(b) below expires without Executive having elected to revoke the release, Executive's outstanding unvested options, restricted stock and other equity-based awards that would have vested based solely on the continued employment of Executive. Additionally, all of Executive's outstanding stock options shall remain outstanding until the earlier of (i) one year after the Termination Date or (ii)

the original expiration date of the options (disregarding any earlier expiration date provided for in any other agreement, including without limitation any related grant agreement, based solely on the termination of the Executive's employment).

(v) Payment of one year of outplacement services from Executrak or an outplacement service provider of Executive's choice, limited to $20,000 in total. This outplacement services benefit will be forfeited if Executive does not begin using such services within 60 days after the Termination Date.

(b) Notwithstanding anything else contained herein to the contrary, no payments shall be made or benefits delivered under this Agreement (other than payments required to be made by Company pursuant to Section 5 below) unless: (i) Executive has signed and delivered to Company a Release in the form attached hereto as Exhibit A (the "Release"); and (ii) the applicable revocation period under the Release has expired without Executive having elected to revoke the Release. Executive agrees and acknowledges that Executive would not be entitled to the consideration described herein absent execution of the Release. Any payments to be made, or benefits to be delivered, under this Agreement (other than the payments required to be made by Company pursuant to Section 5 below and the vesting of outstanding unvested options, restricted stock and other equity-based awards as set forth in Section 4(a)(iv) above) within the thirty (30) days after the Termination Date shall be accumulated and paid in a lump sum on the first bi-weekly pay period occurring more than thirty (30) days after the Termination Date, provided Executive delivers the signed Release to Company and the revocation period thereunder expires without Executive having elected to revoke the Release.

(c) As a further condition to receipt of the payments and benefits in Section 4(a) above, Executive also waives any and all rights to any other amounts payable to her upon the termination of her employment relationship with Company, other than those specifically set forth in this Agreement, including without limitation any severance, notice rights, payments, benefits and other amounts to which Executive may be entitled under the laws of any jurisdiction and/or the Employment Agreement, and Executive agrees not to pursue or claim any such payments, benefits or rights.

5. **Other Benefits**.

Nothing in this Agreement or the Release shall:

(a) alter or reduce any vested, accrued benefits (if any) Executive may be entitled to receive under any 401(k) plan established by Company;

(b) affect Executive's right (if any) to elect and (subject to Section 4(a)(ii) above) pay for continuation of Executive's health insurance coverage under Company's health plans pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 (C.O.B.R.A.), as amended, and to receive any C.O.B.R.A. subsidy for such coverage that may be available pursuant to applicable law;

(c) affect Executive's right (if any) to receive (i) any base salary that has accrued through the Termination Date and is unpaid, (ii) any reimbursable expenses

that Executive has incurred before the Termination Date but are unpaid and (iii) any unused paid time off days to which Executive will be entitled to payment, all of which shall be paid as soon as administratively practicable (and in any event within thirty (30) days) after the Termination Date;

(d) alter or reduce the vested benefits to which Executive is entitled under Company's management incentive plan ("MIP"), which shall be paid in accordance with the MIP and Executive's applicable performance unit agreement; or

(e) affect Executive's right to continue to receive her base salary and benefits through the Termination Date, as in effect as of the date hereof, which base salary and benefits will continue through the Termination Date, except with respect to any changes in benefits that are applicable generally to the other executives of Company.

6. **Confidentiality of Agreement Terms**. Except as otherwise expressly provided in this paragraph, Executive agrees that the terms, conditions and amount of consideration set forth in this Agreement (including the Exhibits hereto) are and shall be deemed to be confidential and hereafter shall not be disclosed by Executive to any other person or entity. The only disclosures excepted by this paragraph are (a) as may be required by law; (b) Executive may tell prospective employers the dates of Executive's employment, positions held, evaluations received, Executive's duties and responsibilities and salary history with Company; (c) Executive may disclose the terms and conditions of this Agreement to Executive's attorneys and tax advisers; and (d) Executive may disclose the terms of this Agreement to Executive's spouse, if any; provided, however, that any spouse, attorney or tax adviser learning about the terms of this Agreement must be informed about this confidentiality provision, and Executive will be responsible for any breaches of this confidentiality provision by her spouse, attorneys or tax advisers to the same extent as if Executive had directly breached this agreement. Executive acknowledges that Company may be required by law to disclose information about this Agreement and its terms.

7. **Restrictive Covenants**.

(a) Definitions. For purposes of this Agreement, the following terms shall have the following respective meanings:

(i) "Business of Company" means services to: (A) identify clients' erroneous or improper payments; (B) assist clients in the recovery of monies owed to them as a result of overpayments and overlooked discounts, rebates, allowances and credits; and (C) assist clients in the improvement and execution of their procurement and payment processes.

(ii) "Confidential Information" means any information about Company and its employees, customers and/or suppliers which is not generally known outside of Company, which Executive learned in connection with Executive's employment with Company, and which would be useful to competitors or the disclosure of which would be damaging to Company. Confidential Information includes, but is not limited to: (A) business and employment policies, marketing methods and the targets of those methods,

finances, business plans, promotional materials and price lists; (B) the terms upon which Company obtains products from its suppliers and sells services and products to customers; (C) the nature, origin, composition and development of Company's services and products; and (D) the manner in which Company provides products and services to its customers.

(iii) "Material Contact" means contact in person, by telephone, or by paper or electronic correspondence in furtherance of the Business of Company.

(iv) "Restricted Territory" means, and is limited to, the Atlanta-Sandy Springs-Marietta, Georgia Metropolitan Statistical Area. Executive acknowledges and agrees that this is a portion of the area in which Company does business at the time of the execution of this Agreement, and in which Executive had responsibility on behalf of Company.

(v) "Trade Secrets" means Confidential Information of Company which meets the definition of a trade secret under applicable law.

(b) Confidentiality. Executive agrees that Executive will not directly or indirectly, use, copy, disclose, distribute or otherwise make use of on her own behalf or on behalf of any other person or entity (i) any Confidential Information for a period of five (5) years after the Termination Date or (ii) any Trade Secret at any time such information constitutes a trade secret under applicable law.

(c) Non-Competition. Executive agrees that for a period of two (2) years following the Termination Date, Executive will not, either for herself or on behalf of any other person or entity, compete with the Business of Company within the Restricted Territory by performing activities which are the same as or similar to those performed by Executive for Company.

(d) Non-Solicitation of Customers. Executive agrees that for a period of two (2) years following the Termination Date, Executive shall not, directly or indirectly, solicit any actual or prospective customers of Company with whom Executive had Material Contact, for the purpose of selling any products or services which compete with the Business of Company.

(e) Non-Recruitment of Employees or Contractors. Executive agrees that for a period of two (2) years following the Termination Date, Executive will not, directly or indirectly, solicit or attempt to solicit any employee or contractor of Company with whom Executive had Material Contact, to terminate or lessen such employment or contract.

(f) Acknowledgments. Executive hereby acknowledges and agrees that the covenants contained in (b) through (e) of this Section 7 hereof are reasonable as to time, scope and territory given Company's and Company's parent's and subsidiaries' need to protect their business, customer relationships, personnel, Trade Secrets and Confidential Information. For purposes of the covenants contained in (b) through (e) of this Section 7, Company shall refer also to Company's parent and subsidiaries as applicable. In the event any covenant or agreement in

this Agreement shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it shall be interpreted to extend only over the maximum period of time for which it may be enforceable and/or over the maximum geographical area as to which it may be enforceable and/or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action. Executive acknowledges and represents that Executive has substantial experience and knowledge such that Executive can readily obtain subsequent employment which does not violate this Agreement.

(g) Specific Performance. Executive acknowledges and agrees that any breach of the provisions of this Section 7 by her will cause irreparable damage to Company or Company's parent or subsidiaries, the exact amount of which will be difficult to determine, and that the remedies at law for any such breach will be inadequate. Accordingly, Executive agrees that, in addition to any other remedy that may be available at law, in equity, or hereunder, Company shall be entitled to specific performance and injunctive relief, without posting bond or other security, to enforce or prevent any violation of any of the provisions of this Section 7 by Executive.

8. **Return of all Property and Information of Company**. Executive agrees to return all of Company's property within seven (7) days following the execution of this Agreement. Such property includes, but is not limited to, the original and any copy (regardless of the manner in which it is recorded) of all information provided by Company to Executive or which Executive has developed or collected in the scope of Executive's employment related to Company and its parent, subsidiaries or affiliates as well as all Company-issued equipment, supplies, accessories, vehicles, keys, instruments, tools, devices, computers (except as described above), cell phones, pagers, materials, documents, plans, records, notebooks, drawings, or papers. Upon request by Company, Executive shall certify in writing that Executive has complied with this provision, and has deleted all Company information from any computers or other electronic storage devices owned by Executive. Executive may only retain information relating to Executive's benefit plans and compensation to the extent needed to prepare Executive's tax returns.

9. **No Harassing or Disparaging Conduct**. Executive further agrees and promises that Executive will not engage in, or induce other persons or entities to engage in, any harassing or disparaging conduct or negative or derogatory statements directed at Company or its parent, subsidiaries or affiliates, the activities of Company or its parent, subsidiaries or affiliates, or the Releasees at any time in the future. Notwithstanding the foregoing, this Section 9 may not be used to penalize Executive for providing truthful testimony under oath in a judicial or administrative proceeding or complying with an order of a Court or government agency of competent jurisdiction.

10. **References**. Following the termination date, Company agrees to give any potential employers who inquire about Executive's work history at Company a neutral reference consisting of Employee's dates of employment, title and compensation, so long as Executive directs all such requests to the Company's Senior Vice President-Human Resources or to its Director — Compensation and Benefits.

11. **Construction of Agreement and Venue for Disputes**. This Agreement shall be deemed to have been jointly drafted by the Parties and shall not be construed against either Party. This Agreement shall be governed by the law of the State of Georgia, and the Parties agree that any actions arising out of or relating to this Agreement or Executive's employment with Company must be brought exclusively in either the United States District Court for the Northern District of Georgia, or the State or Superior Courts of Cobb County, Georgia. Notwithstanding the pendency of any proceeding, either Party shall be entitled to injunctive relief in a state or federal court located in Cobb County, Georgia upon a showing of irreparable injury. The Parties consent to personal jurisdiction and venue solely within these forms and solely in Cobb County, Georgia and waive all otherwise possible objections thereto. The prevailing Party shall be entitled to recover its costs and attorneys fees from the non-prevailing Party in any such proceeding no later than 90 days following the settlement or final resolution of any such proceeding. The existence of any claim or cause of action by Executive against Company or Company's parent or subsidiaries, including any dispute relating to the termination of Executive's employment or under this Agreement, shall not constitute a defense to enforcement of said covenants by injunction.

12. **Severability**. If any provision of this Agreement shall be held void, voidable, invalid or inoperative, no other provision of this Agreement shall be affected as a result thereof, and accordingly, the remaining provisions of this Agreement shall remain in full force and effect as though such void, voidable, invalid or inoperative provision had not been contained herein.

13. **No Reliance Upon Other Statements**. This Agreement is entered into without reliance upon any statement or representation of any Party hereto or any Party hereby released other than the statements and representations contained in writing in this Agreement (including all Exhibits hereto).

14. **Entire Agreement**. This Agreement, including all Exhibits hereto (which are incorporated herein by this reference), contains the entire agreement and understanding concerning the subject matter hereof between the Parties hereto. No waiver, termination or discharge of this Agreement, or any of the terms or provisions hereof, shall be binding upon either Party hereto unless confirmed in writing. This Agreement may not be modified or amended, except by a writing executed by both Parties hereto. No waiver by either Party hereto of any term or provision of this Agreement or of any default hereunder shall affect such Party's rights thereafter to enforce such term or provision or to exercise any right or remedy in the event of any other default, whether or not similar.

15. **Further Assurance**. Upon the reasonable request of the other Party, each Party hereto agrees to take any and all actions, including, without limitation, the execution of certificates, documents or instruments, necessary or appropriate to give effect to the terms and conditions set forth in this Agreement.

16. **No Assignment**. Neither Party may assign this Agreement, in whole or in part, without the prior written consent of the other Party, and any attempted assignment not in accordance herewith shall be null and void and of no force or effect.

17. **Binding Effect**. This Agreement shall be finding on and inure to the benefit of the Parties and their respective heirs, representatives, successors and permitted assigns.

18. **Indemnification**. Company understands and agrees that any indemnification obligations under its governing documents or the indemnification agreement between Company and Executive with respect to Executive's service as an officer of Company remain in effect and survives the termination of Executive's employment under this Agreement as set forth in such governing documents or indemnification agreement.

19. **Nonqualified Deferred Compensation**.

(a) It is intended that any payment or benefit which is provided pursuant to or in connection with this Agreement which is considered to be deferred compensation subject to Section 409A of the Code shall be paid and provided in a manner, and at such time and form, as complies with the applicable requirements of Section 409A of the Code to avoid the unfavorable tax consequences provided therein for non-compliance.

(b) Neither Company nor Executive shall take any action to accelerate or delay the payment of any monies and/or provision of any benefits in any manner which would not be in compliance with Section 409A of the Code (including any transition or grandfather rules thereunder).

(c) Because Executive is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, any payments to be made or benefits to be delivered in connection with Executive's "Separation from Service" (as determined for purposes of Section 409A of the Code) that constitute deferred compensation subject to Section 409A of the Code shall not be made until the earlier of (i) Executive's death or (ii) six months after Executive's Separation from Service (the "409A Deferral Period") as required by Section 409A of the Code. Payments otherwise due to be made in installments or periodically during the 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the 409A Deferral Period ends, and the balance of the payment shall be made as otherwise scheduled. Any such benefits subject to the rule may be provided under the 409A Deferral Period at Executive's expense, with Executive having a right to reimbursement from Company once the 409A Deferral Period ends, and the balance of the benefits shall be provided as otherwise scheduled.

(d) For purposes of this Agreement, all rights to payments and benefits hereunder shall be treated as rights to receive a series of separate payments and benefits to the fullest extent allowed by Section 409A of the Code.

(e) Notwithstanding any other provision of this Agreement, neither Company nor its parent, subsidiaries or affiliates shall be liable to Executive if any payment or benefit which is to be provided pursuant to this Agreement and which is considered deferred compensation subject to Section 409A of the Code otherwise fails to comply with, or be exempt from, the requirements of Section 409A of the Code.

IN WITNESS WHEREOF, the Parties have executed, or caused their duly authorized representatives to execute, this Agreement as of the day and year first above written.

"Executive"

/s/ Jennifer Moore
Jennifer Moore

"Company"

PRG-SCHULTZ INTERNATIONAL, INC.

By: /s/ Victor A. Allums

Title: SVP & General Counsel

EXHIBIT A
Form of Release

RELEASE

In consideration for the undertakings and promises set forth in that certain Separation Agreement, dated as of October___, 2009 (the "Agreement"), between **JENNIFER MOORE** ("Executive") and **PRG-SCHULTZ INTERNATIONAL, INC.** ("Company"), Executive (on behalf of herself and her heirs, assigns and successors in interest) unconditionally releases, discharges, and holds harmless Company and its affiliates and their respective officers, directors, employees, agents, insurers, assigns and successors in interest (collectively, "Releasees") from each and every claim, cause of action, right, liability or demand of any kind and nature, and from any claims which may be derived therefrom (collectively "Released Claims"), that Executive had, has, or might claim to have against Releasees at the time Executive executes this Agreement, whether presently known or unknown to Executive, including, without limitation, any and all claims listed below, other than any such claims Executive has or might have under the Agreement:

(a) arising from Executive's employment, pay, bonuses, vacation or any other Executive benefits, and other terms and conditions of employment or employment practices of Company;

(b) arising out of or relating to the termination of Executive's employment with Company or the surrounding circumstances thereof;

(c) based on discrimination and/or harassment on the basis of race, color, religion, sex, national origin, handicap, disability, age or any other category protected by law under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, Executive Order 11246, the Age Discrimination in Employment Act, the Older Workers Benefits Protection Act, the Equal Pay Act, the Americans With Disabilities Act, the Rehabilitation Act of 1973, C.O.B.R.A. (as any of these laws may have been amended) or any other similar labor, employment or anti-discrimination law under state, federal or local law;

(d) based on any contract, tort, whistleblower, personal injury wrongful discharge theory or other common law theory; or

(e) arising under the Employment Agreement or any other written or oral agreements between Executive and Company, Company's parent or any of Company's subsidiaries.

Executive covenants not to sue or initiate any claims against any of the Releasees on account of any Released Claim or to incite, assist or encourage other persons or entities to bring claims of any nature whatsoever against Company or Releasees. Executive further covenants not

to accept, recover or receive any monetary damages or any other form of relief which may arise out of or in connection with any administrative remedies which may be filed with or pursued independently by any governmental agency or agencies, whether federal, state or local.

Executive hereby acknowledges that Executive has no interest in reinstatement, reemployment or employment with Company, and Executive forever waives any interest in or claim of right to any future employment by Company. Executive further covenants not to apply for future employment with Company or otherwise seek or encourage reinstatement.

By signing this Release, Executive certifies that:

(a) Executive has carefully read and fully understands the provisions of this Release;

(b) Executive was advised by Company in writing, via this Release, to consult with an attorney before signing this Release;

(c) Executive understands that any discussions she may have had with counsel for Company regarding her employment or this Release does not constitute legal advice to her and that she has retained her own independent counsel to render such advice;

(d) Executive understands that this Agreement FOREVER RELEASES Company and any other Releasee from any legal action arising prior to the date of execution of this Agreement;

(e) In signing this Agreement, Executive DOES NOT RELY ON AND HAS NOT RELIED ON ANY REPRESENTATION OR STATEMENT (WRITTEN OR ORAL) NOT SPECIFICALLY SET FORTH IN THIS AGREEMENT by Company or any other Releasee, or by any of their agents, representatives, or attorneys with regard to the subject matter, basis, or effect of this Agreement or otherwise;

(f) Company hereby allows Executive no less than twenty-one (21) days from its initial presentation to Executive to consider this Release before signing it, should Executive so desire; and

(g) Executive agrees to its terms knowingly, voluntarily and without intimidation, coercion or pressure.

Executive may revoke this Release within seven (7) calendar days after signing it. To be effective, such revocation must be received in writing by the General Counsel of Company at the offices of Company at 600 Galleria Parkway, Suite 100, Atlanta, Georgia 30339. Revocation can be made by hand delivery or facsimile before the expiration of this seven (7) day period.

IN WITNESS WHEREOF, the undersigned has executed this Release as of the date set forth below.

"Executive"

______________________________ ______________

Jennifer Moore Date

Exhibit 10.33

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of March 12, 2009, to be effective March 30, 2009 (the "Effective Date"), by and between PRG-Schultz International, Inc., a Georgia corporation (the "Company"), and James R. Shand (the "Executive").

W I T N E S S E T H:

WHEREAS, the Company considers the availability of the Executive's services to be important to the management and conduct of the Company's business and desires to secure the availability of the Executive's services; and

WHEREAS, the Executive is willing to make the Executive's services available to the Company on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth and intending to be legally bound, the Company and the Executive agree as follows:

1. **Employment and Duties**.

(a) **Position.** The Company hereby employs the Executive, and the Executive hereby accepts such employment, as the Chief Innovation and Strategy Officer of the Company, on the terms and subject to the conditions of this Agreement. The Executive agrees to perform such duties and responsibilities as are customarily performed by persons acting in such capacity or as are assigned to Executive from time to time by the Board of Directors of the Company or its designees. The Executive acknowledges and agrees that from time to time the Company may assign Executive additional positions with the Company or the Company's subsidiaries, with such title, duties and responsibilities as shall be determined by the Company. The Executive agrees to serve in any and all such positions without additional compensation. The Executive will report directly to the Chief Executive Officer of the Company.

(b) **Duties.** The Executive shall devote the Executive's best efforts and full professional time and attention to the business and affairs of the Company and the Company's subsidiaries. During the Term, Executive shall not serve as a director or principal of any other company or charitable or civic organization without the prior written consent of the Board of Directors of the Company. The principal place(s) of employment of the Executive shall be the Company's executive offices in Atlanta, Georgia, provided, however, that unless and until otherwise determined by the Chief Executive Officer of the Company, the Executive will work on a day-to-day basis from Colorado Springs, Colorado, subject to reasonable travel on the business of the Company or the Company's subsidiaries, including required travel to the Company's offices in Atlanta, Georgia and elsewhere. The Executive shall be expected to follow and be bound by the terms of the Company's Code of Conduct and Code of Ethics for Senior Financial Officers and any other applicable policies as the Company from time to time may adopt.

2. **Term**. The term of this Agreement is effective as of the Effective Date, and will continue through the first anniversary of the Effective Date, unless terminated or extended as hereinafter provided. This Agreement shall be extended for successive one-year periods following

the original term (through each subsequent anniversary thereafter) unless any party notifies the other in writing at least 30 days prior to the end of the original term, or the end of any additional one-year renewal term, that the Agreement shall not be extended beyond its then current term. The term of this Agreement, including any renewal term, is referred to herein as the "Term."

3. **Compensation**.

(a) **Base Salary**. The Company shall pay the Executive an annual base salary of $300,000. The annual base salary shall be paid to the Executive in accordance with the established payroll practices of the Company (but no less frequently than monthly) subject to ordinary and lawful deductions. The Compensation Committee of the Company will review the Executive's base salary from time to time to consider whether any increase should be made. The base salary during the Term will not be less than that in effect at any time during the Term.

(b) **Annual Bonus**. During the Term, the Executive will be eligible to participate in an annual incentive bonus plan that will establish measurable criteria and incentive compensation levels payable to the Executive for performance in relation to defined targets established by the Compensation Committee of the Company's Board of Directors, after consultation with management, and consistent with the Company's business plans and objectives. To the extent the targeted performance levels are exceeded, the incentive bonus plan will provide a means by which the annual bonus will be increased. Similarly, the incentive plan will provide a means by which the annual bonus will be decreased or eliminated if the targeted performance levels are not achieved. In connection with such annual incentive bonus plan, subject to the corresponding performance levels being achieved, the Executive shall be eligible for an annual target bonus equal to 50 percent of the Executive's annual base salary and an annual maximum bonus equal to 100 percent of the Executive's annual base salary. Any bonus payments due hereunder shall be payable to the Executive no later than the 15th day of the third month following the end of the applicable year to which the incentive bonus relates. The Executive's annual incentive bonus for calendar year 2009 shall be subject to pro-ration based on the number of days that Executive is actually employed by the Company during 2009 (beginning with the Effective Date).

(c) **Stock Compensation**. The Executive also shall be eligible to receive stock options, restricted stock, stock appreciation rights and/or other equity awards under the Company's applicable equity plans on such basis as the Compensation Committee or the Board of Directors of the Company or their designees, as the case may be, may determine on a basis not less favorable than that provided to the class of employees that includes the Executive. Except as specifically set forth above, however, nothing herein shall require the Company to make any equity grants or other awards to the Executive in any specific year.

4 **Indemnity.** The Company and the Executive will enter into the Company's standard indemnification agreement for executive officers.

5. **Benefits**.

(a) **Benefit Programs**. The Executive shall be eligible to participate in any plans, programs or forms of compensation or benefits that the Company or the Company's subsidiaries provide to the class of employees that includes the Executive, on a basis not less favorable than that provided to such class of employees, including, without limitation, group

medical, disability and life insurance, paid time-off, and retirement plan, subject to the terms and conditions of such plans, programs or forms of compensation or benefits.

(b) **Paid Time-Off**. The Executive shall be entitled to five weeks of paid time-off, to be accrued and used in accordance with the normal Company paid time-off policy.

(c) **Additional Terms, Compensation and Benefits**. The additional terms, compensation and benefits, if any, listed on Exhibit A attached hereto, shall also apply to the Executive's employment for the duration specified therein.

6. **Reimbursement of Expenses**. The Company shall reimburse the Executive, subject to presentation of adequate substantiation, including receipts, for the reasonable travel, entertainment, lodging and other business expenses incurred by the Executive in accordance with the Company's expense reimbursement policy in effect at the time such expenses are incurred. In no event will such reimbursements, if any, be made later than the last day of the year following the year in which the Executive incurs the expense.

7. **Termination of Employment**.

(a) **Death or Incapacity**. The Executive's employment under this Agreement shall terminate automatically upon the Executive's death. If the Company determines that the Incapacity, as hereinafter defined, of the Executive has occurred, it may terminate the Executive's employment and this Agreement. "Incapacity" shall mean the inability of the Executive to perform the essential functions of the Executive's job, with or without reasonable accommodation, for a period of 90 days in the aggregate in any rolling 180-day period.

(b) **Termination by Company For Cause**. The Company may terminate the Executive's employment during the Term of this Agreement for Cause. For purposes of this Agreement, "Cause" shall mean, as determined by the Board of Directors of the Company in good faith, the following:

(i) the Executive's willful misconduct or gross negligence in connection with the performance of the Executive's duties which the Board of Directors of the Company believes does or is likely to result in material harm to the Company or any of its subsidiaries;

(ii) the Executive's misappropriation or embezzlement of funds or property of the Company or any of its subsidiaries;

(iii) the Executive's fraud or dishonesty with respect to the Company or any of its subsidiaries;

(iv) the Executive's conviction of, indictment for (or its procedural equivalent), or entering of a guilty plea or plea of no contest with respect to any felony or any other crime involving moral turpitude or dishonesty; or

(v) the Executive's breach of a material term of this Agreement, or violation in any material respect of any code or standard of behavior generally applicable to officers of the Company (including, without, limitation the Company's Code of Conduct, Code of Ethics for Senior Financial Officers and any other applicable policies as the

Company from time to time may adopt), after being advised in writing of such breach or violation and being given 30 days to remedy such breach or violation, to the extent that such breach or violation can be cured;

(vi) the Executive's breach of fiduciary duties owed to the Company or any of its subsidiaries;

(vii) the Executive's engagement in habitual insobriety or the use of illegal drugs or substances; or

(viii) the Executive's willful failure to cooperate, or willful failure to cause and direct persons under the Executive's management or direction, or employed by, or consultants or agents to, the Company or its subsidiaries to cooperate, with all corporate investigations or independent investigations by the Board of Directors of the Company or its subsidiaries, all governmental investigations of the Company or its subsidiaries or orders involving the Executive, the Company or the Company's subsidiaries entered by a court of competent jurisdiction.

Notwithstanding the above, and without limitation, the Executive shall not be deemed to have been terminated for Cause unless and until there has been delivered to the Executive (i) a letter from the Board of Directors of the Company finding that the Executive has engaged in the conduct set forth in any of the preceding clauses and specifying the particulars thereof in detail and (ii) a copy of a resolution duly adopted by the affirmative vote of the majority of the members of the Board of Directors of the Company who are not officers of the Company at a meeting of the Board of Directors called and held for such purpose or such other appropriate written consent (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board of Directors of the Company), finding that the Executive has engaged in such conduct and specifying the particulars thereof in detail.

(c) **Termination by Executive for Good Reason**. The Executive may terminate the Executive's employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without the Executive's consent, the following:

(i) any action taken by the Company which results in a material reduction in the Executive's authority, duties or responsibilities (except that any change in the foregoing that results solely from (A) the Company ceasing to be a publicly traded entity or from the Company becoming a wholly-owned subsidiary of another publicly traded entity or (B) any change in the geographic scope of the Executive's authority, duties or responsibilities will not, in any event and standing alone, constitute a substantial reduction in the Executive's authority, duties or responsibilities), including any requirement that the Executive report directly to anyone other than the Chief Executive Officer of the Company;

(ii) the assignment to the Executive of duties that are materially inconsistent with Executive's authority, duties or responsibilities;

(iii) any material decrease in the Executive's base salary or annual bonus opportunity or the benefits generally available to the class of employees that includes the Executive, except to the extent the Company has instituted a salary, bonus or benefits

reduction generally applicable to all executives of the Company other than in contemplation of or after a Change in Control;

(iv) the relocation of the Executive to any primary place of employment other than as specified in Section 1(b) above which might require the Executive to move the Executive's residence which, for this purpose, means any reassignment to a place of employment 50 miles or more from the place (or, if applicable, all places) of employment set forth in Section 1(b), without the Executive's express written consent to such relocation; provided, however, this subsection (iv) shall not apply in the case of business travel which requires the Executive to relocate temporarily for periods of 90 days or less;

(v) the failure by the Company to pay to the Executive any portion of the Executive's base salary, annual bonus or other benefits within 10 days after the date the same is due; or

(vi) any material failure by the Company to comply with the terms of this Agreement.

Notwithstanding the above, and without limitation, "Good Reason" shall not include (x) for purposes of Section 7(c)(i), (ii) and (iv) above, any assignment of the Executive to another executive position in the Company within two years after the Effective Date, or (y) any resignation by the Executive where Cause for the Executive's termination by the Company exists and the Company then follows the procedures described above. The Executive must give the Company notice of any event or condition that would constitute "Good Reason" within 30 days of the event or condition which would constitute "Good Reason," and upon the receipt of such notice the Company shall have 30 days to remedy such event or condition. If such event or condition is not remedied within such 30-day period, any termination of employment by the Executive for "Good Reason" must occur within 30 days after the period for remedying such condition or event has expired.

(d) **Termination by Company Without Cause or by Executive Other than For Good Reason**. The Company may terminate the Executive's employment during the Term of this Agreement without Cause, and Executive may terminate the Executive's employment for other than Good Reason, upon 30 days' written notice. The Company may elect to pay the Executive during any applicable notice period (in accordance with the established payroll practices of the Company, no less frequently than monthly) and remove him from active service.

(e) **Termination by Executive on Failure to Renew**. The Executive may terminate the Executive's employment at any time on or before the expiration of the Term of the Agreement, if the Company notifies the Executive that the Term of the Agreement shall not be extended as provided in Section 2 above.

8. **Obligations of the Company Upon Termination**.

(a) **Without Cause; Good Reason; Non-Renewal (No Change in Control)**. If, during the Term, the Company terminates the Executive's employment without Cause in accordance with Section 7(d) hereof, the Executive terminates the Executive's employment for Good Reason in accordance with Section 7(c) hereof, or the Executive terminates the Executive's employment upon the Company's failure to renew the Agreement in accordance with Section 7(e) hereof, other than

within two years after a Change in Control, subject to Section 20 below, the Executive shall be entitled to receive:

(i) payment of the Executive's annual base salary in effect immediately preceding the date of the Executive's termination of employment (or, if greater, the Executive's annual base salary in effect immediately preceding any action by the Company described in Section 7(c)(iii) above for which the Executive has terminated the Executive's employment for Good Reason), for the period equal to the greater of one year or the sum of four weeks for each full year of continuous service the Executive has with the Company and its subsidiaries at the time of termination of employment, beginning immediately following termination of employment (the "Severance Period"), payable in accordance with the established payroll practices of the Company (but no less frequently than monthly), beginning on the first payroll date following 30 days after termination of employment, with the Executive to receive at that time a lump sum payment with respect to any installments the Executive was entitled to receive during the first 30 days following termination of employment, and the remaining payments made as if they had commenced immediately following termination of employment;

(ii) payment of an amount equal to the Executive's actual earned full-year bonus for the year in which the termination of Executive's employment occurs, prorated based on the number of days the Executive was employed for the year, payable at the time the Executive's annual bonus for the year otherwise would be paid had the Executive continued employment;

(iii) continuation after the date of termination of employment of any health care (medical, dental and vision) plan coverage, other than that under a flexible spending account, provided to the Executive and the Executive's spouse and dependents at the date of termination for the Severance Period, on a monthly or more frequent basis, on the same basis and at the same cost to the Executive as available to similarly-situated active employees during such Severance Period, provided that such continued participation is possible under the general terms and provisions of such plans and programs and provided that such continued coverage by the Company shall terminate in the event Executive becomes eligible for any such coverage under another employer's plans. If the Company reasonably determines that maintaining such coverage for the Executive or the Executive's spouse or dependents is not feasible under the terms and provisions of such plans and programs (or where such continuation would adversely affect the tax status of the plan pursuant to which the coverage is provided), the Company shall pay the Executive cash equal to the estimated cost of the expected Company contribution therefor for such same period of time, with such payments to be made in accordance with the established payroll practices of the Company (not less frequently than monthly) for the period during which such cash payments are to be provided;

(iv) payment of any Accrued Obligations. For purposes of this Agreement, "Accrued Obligations" shall mean the sum of (A) the Executive's annual base salary through Executive's termination of employment which remains unpaid, (B) the amount, if any, of any incentive or bonus compensation earned for any completed fiscal year of the Company which has not yet been paid, (C) any reimbursements for expenses incurred but not yet paid, and (D) any benefits or other amounts, including both cash and stock

components, which pursuant to the terms of any plans, policies or programs have been earned or become payable, but which have not yet been paid to the Executive, including payment for any unused paid time-off (but not including amounts that previously had been deferred at the Executive's request, which amounts will be paid in accordance with the Executive's existing directions). The Accrued Obligations will be paid to the Executive in a lump sum as soon as administratively feasible after the Executive's termination of employment, which for purposes of any incentive or bonus compensation described in (B) above shall mean at the same time such annual bonus would otherwise have been paid;

(v) vesting in full of the Executive's outstanding unvested options, restricted stock and other equity-based awards that would have vested based solely on the continued employment of the Executive. Additionally, all of Executive's outstanding stock options shall remain outstanding until the earlier of (i) one year after the date of termination of the Executive's employment or (ii) the original expiration date of the options (disregarding any earlier expiration date provided for in any other agreement, including without limitation any related grant agreement, based solely on the termination of the Executive's employment); and

(vi) payment of one year of outplacement services from Executrack or an outplacement service provider of the Executive's choice, limited to $20,000 in total. This outplacement services benefit will be forfeited if the Executive does not begin using such services within 60 days after the termination of the Executive's employment.

(b) **Without Cause; Good Reason; Non-Renewal (Change in Control)**. If, during the Term, the Company terminates the Executive's employment without Cause in accordance with Section 7(d) hereof, the Executive terminates the Executive's employment for Good Reason in accordance with Section 7(c) hereof, or the Executive terminates the Executive's employment upon the Company's failure to renew the Agreement in accordance with Section 7(e) hereof, within two years after a Change in Control, subject to Section 20 below, the Executive shall be entitled to receive:

(i) payment of the Executive's annual base salary in effect immediately preceding the date of the Executive's termination of employment (or, if greater, the Executive's annual base salary in effect immediately preceding any action by the Company described in Section 7(c)(iii) above for which the Executive has terminated the Executive's employment for Good Reason), for the period equal to the greater of 18 months or the sum of four weeks for each full year of continuous service the Executive has with the Company and its subsidiaries at the time of termination of employment, beginning immediately following termination of employment (the "Change in Control Severance Period"), payable in accordance with the established payable practices of the Company (but no less frequently than monthly), beginning on the first payroll date following 30 days after termination of employment, with the Executive to receive at that time a lump sum payment with respect to any installments the Executive was entitled to receive during the first 30 days following termination of employment;

(ii) payment of an amount equal to the Executive's actual earned full-year bonus for the year in which the termination of Executive's employment occurs, prorated based on the number of days the Executive was employed for the year, payable at the time

the Executive’s annual bonus for the year otherwise would be paid had the Executive continued employment;

(iii) continuation after the date of termination of employment of any health care (medical, dental and vision) plan coverage, other than that under a flexible spending account, provided to the Executive and the Executive’s spouse and dependents at the date of termination for the Change in Control Severance Period, on a monthly or more frequent basis, on the same basis and at the same cost to the Executive as available to similarly-situated active employees during such Change in Control Severance Period, provided that such continued participation is possible under the general terms and provisions of such plans and programs and provided that such continued contribution by the Company shall terminate in the event Executive becomes eligible for any such coverage under another employer’s plans. If the Company reasonably determines that maintaining such coverage for the Executive or the Executive’s spouse or dependents is not feasible under the terms and provisions of such plans and programs (or where such continuation would adversely affect the tax status of the plan pursuant to which the coverage is provided), the Company shall pay the Executive cash equal to the estimated cost of the expected Company contribution therefor for such same period of time, with such payments to be made in accordance with the established payroll practices of the Company (not less frequently than monthly) for the period during which such cash payments are to be provided;

(iv) payment of any Accrued Obligations in a lump sum as soon as administratively feasible after the Executive’s termination of employment, which for purposes of any incentive or bonus compensation described in Section 8(a)(iv)(B) above shall mean at the same time such annual bonus would otherwise have been paid;

(v) vesting in full of the Executive’s outstanding unvested options, restricted stock and other equity-based awards that would have vested based solely on the continued employment of the Executive. Additionally, all of the Executive’s outstanding stock options shall remain outstanding until the earlier of (i) one year after the date of termination of the Executive’s employment or (ii) the original expiration date of the options (disregarding any earlier expiration date provided for in any other agreement, including without limitation any related grant agreement, based solely on the termination of the Executive’s employment); and

(vi) payment of one year of outplacement services from Executrack or an outplacement service provider of the Executive’s choice, limited to $20,000 in total. This outplacement services benefit will be forfeited if the Executive does not begin using such services within 60 days after the termination of the Executive’s employment.

(c) **Death or Incapacity**. If the Executive’s employment is terminated by reason of death or Incapacity in accordance with Section 7(a) hereof, the Executive shall be entitled to receive:

(i) payment of an amount equal to the actual full-year bonus earned for the year that includes Executive’s death or Incapacity, prorated based on the number of days the Executive is employed for the year, payable at the same time such annual bonus would otherwise have been paid had the Executive continued employment; and

(ii) payment of any Accrued Obligations in a lump sum as soon as administratively feasible after the Executive's termination of employment, which for purposes of any incentive or bonus compensation described in Section 8(a)(iv)(B) above shall mean at the same time such annual bonus would otherwise have been paid.

(d) **Cause; Other Than for Good Reason**. If the Company terminates the Executive's employment for Cause in accordance with Section 7(b) hereof, or the Executive terminates the Executive's employment other than for Good Reason in accordance with Section 7(d) hereof, this Agreement shall terminate without any further obligation to the Executive other than to pay the Accrued Obligations (except that any incentive or bonus compensation earned for any completed fiscal year of the Company which has not yet been paid shall not be paid if the Company terminates the Executive's employment for Cause in accordance with Section 7(b) hereof) as soon as administratively feasible after the Executive's termination of employment.

(e) **Release and Waiver**. Notwithstanding any other provision of this Agreement, the Executive's right to receive any payments or benefits under Sections 8(a)(i), (ii), (iii), (v) and (vi) and 8(b)(i), (ii), (iii), (v) and (vi) of this Agreement upon the termination of the Executive's employment by the Company without Cause, by the Executive for Good Reason, or by the Executive upon the Company's failure to renew the Agreement is contingent upon and subject to the Executive signing and delivering to the Company a separation agreement and complete general release of all claims in a form acceptable to Company, and allowing the applicable revocation period required by law to expire without revoking or causing revocation of same, within 30 days following the date of termination of Executive's employment.

(f) **Change in Control**. For purposes of this Agreement, Change of Control means the occurrence of any of the following events:

(i) The accumulation in any number of related or unrelated transactions by any person of beneficial ownership (as such term is used in Rule 13d-3, promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of 50 percent or more of the combined total voting power of the Company's voting stock; provided that for purposes of this subsection (a), a Change in Control will not be deemed to have incurred if the accumulation of 50 percent or more of the voting power of the Company's voting stock results from any acquisition of voting stock (i) by the Company, (ii) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of the Company's subsidiaries, or (iii) by any person pursuant to a merger, consolidation, reorganization or other transaction (a "Business Combination") that would not cause a Change in Control under subsection (ii) below; or

(ii) A consummation of a Business Combination, unless, immediately following that Business Combination, substantially all the persons who were the beneficial owners of the voting stock of the Company immediately prior to that Business Combination beneficially own, directly or indirectly, at least 50 percent of the combined voting power of the voting stock of the entity resulting from that Business Combination (including, without limitation, an entity that as a result of that transaction owns the Company, or all or substantially all of the Company assets, either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as the ownership, immediately prior to that Business Combination, of the voting stock of the Company;

(iii) A sale or other disposition of all or substantially all of the assets of the Company except pursuant to a Business Combination that would not cause a Change in Control under subsection (ii) above;

(iv) At any time less than a majority of the members of the Board of Directors of the Company or any entity resulting from any Business Combination are Incumbent Board Members.

(v) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that would not cause a Change in Control under subsection (ii) above; or

(vi) Any other transaction or event that the Board of Directors of the Company identifies as a Change in Control for purposes of this Agreement.

(vii) For purposes of this Agreement, an "Incumbent Board Member" shall mean any individual who either is (a) a member of the Company Board of Directors as of the Effective Date or (b) a member who becomes a member of the Company's Board of Directors subsequent to the Effective Date of this Agreement, whose election or nomination by the Company's shareholders, was approved by a vote of at least a majority of the then Incumbent Board Members (either by specific vote or by approval of a proxy statement of the Company in which that person is named as a nominee for director, without objection to that nomination), but excluding, for that purpose, any individual whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14A-11 of the Exchange Act) with respect to the election or removal of directors or other actual threatened solicitation or proxies or consents by or on behalf of the person other than a board of directors. For purposes of this Agreement, a person means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint-stock company, trusts, unincorporated organization or any other entity of any kind.

9. **Business Protection Agreements**.

(a) **Definitions**. For purposes of this Agreement, the following terms shall have the following meanings:

(i) "Business of the Company" means services to (A) identify clients' erroneous or improper payments, (B) assist clients in the recovery of monies owed to them as a result of overpayments and overlooked discounts, rebates, allowances and credits, and (C) assist clients in the improvement and execution of their procurement and payment processes.

(ii) "Confidential Information" means any information about the Company or the Company's subsidiaries and their employees, customers and/or suppliers which is not generally known outside of the Company or the Company's subsidiaries, which Executive learns of in connection with Executive's employment with the Company, and which would be useful to competitors or the disclosure of which would be damaging to the Company or the Company's subsidiaries. Confidential Information includes, but is not

limited to: (A) business and employment policies, marketing methods and the targets of those methods, finances, business plans, promotional materials and price lists; (B) the terms upon which the Company or the Company's subsidiaries obtains products from their suppliers and sells services and products to customers; (C) the nature, origin, composition and development of the Company or the Company's subsidiaries' services and products; and (D) the manner in which the Company or the Company's subsidiaries provide products and services to their customers.

(iii) "Material Contact" means contact in person, by telephone, or by paper or electronic correspondence in furtherance of the Business of the Company.

(iv) "Restricted Territory" means, and is limited to, the geographic area described in Exhibit B attached hereto. Executive acknowledges and agrees that this is the area in which the Company and its subsidiaries does business at the time of the execution of this Agreement, and in which the Executive will have responsibility, at a minimum, on behalf of the Company and the Company's subsidiaries. Executive acknowledges and agrees that if the geographic area in which Executive has responsibility should change while employed under this Agreement, Executive will execute an amendment to the definition of "Restricted Territory" to reflect such change. This duty shall be part of the consideration provided by Executive for Executive's employment hereunder.

(v) "Trade Secrets" means the trade secrets of the Company or the Company's subsidiaries as defined under applicable law.

(b) **Confidentiality**. Executive agrees that the Executive will not (other than in the performance of Executive's duties hereunder), directly or indirectly, use, copy, disclose or otherwise distribute to any other person or entity: (a) any Confidential Information during the period of time the Executive is employed by the Company and for a period of five years thereafter; or (b) any Trade Secret at any time such information constitutes a trade secret under applicable law. Upon the termination of Executive's employment with the Company (or upon the earlier request of the Company), Executive shall promptly return to the Company all documents and items in the Executive's possession or under the Executive's control which contain any Confidential Information or Trade Secrets.

(c) **Non-Competition**. Executive agrees that during the Executive's employment with the Company and for a period of two years thereafter, Executive will not, either for himself or on behalf of any other person or entity, compete with the Business of the Company within the Restricted Territory by performing activities which are the same as or similar to those performed by Executive for the Company or the Company's subsidiaries.

(d) **Non-Solicitation of Customers**. Executive agrees that during Executive's employment with the Company and for a period of two years thereafter, Executive shall not, directly or indirectly, solicit any actual or prospective customers of the Company or the Company's subsidiaries with whom Executive had Material Contact, for the purpose of selling any products or services which compete with the Business of the Company

(e) **Non-Recruitment of Employees or Contractors**. Executive agrees that during the Executive's employment with the Company and for a period of two years thereafter,

Executive will not, directly or indirectly, solicit or attempt to solicit any employee or contractor of the Company or the Company's subsidiaries with whom Executive had Material Contact, to terminate or lessen such employment or contract.

(f) **Obligations of the Company**. The Company agrees to provide Executive with Confidential Information in order to enable Executive to perform Executive's duties hereunder. The covenants of Executive contained in the covenants of Confidentiality, Non-Competition, Non-Solicitation of Customers and Non-Recruitment of Employees or Contractors set forth in Subsections 9(b) — 9(e) above ("Protective Covenants") are made by Executive in consideration for the Company's agreement to provide Confidential Information to Executive, and intended to protect Company's Confidential Information and the investments the Company makes in training Executive and developing customer goodwill.

(g) **Acknowledgments**. Executive hereby acknowledges and agrees that the covenants contained in (b) through (e) of this Section 9 and Section 10 hereof are reasonable as to time, scope and territory given the Company and the Company's subsidiaries' need to protect their business, customer relationships, personnel, Trade Secrets and Confidential Information. Executive acknowledges and represents that Executive has substantial experience and knowledge such that Executive can readily obtain subsequent employment which does not violate this Agreement.

(h) **Specific Performance**. Executive acknowledges and agrees that any breach of any of the Protective Covenants or the provisions of Section 10 by him will cause irreparable damage to the Company or the Company's subsidiaries, the exact amount of which will be difficult to determine, and that the remedies at law for any such breach will be inadequate. Accordingly, Executive agrees that, in addition to any other remedy that may be available at law, in equity, or hereunder, the Company shall be entitled to specific performance and injunctive relief, without posting bond or other security, to enforce or prevent any violation of any of the Protective Covenants by him.

10. **Ownership of Work Product**.

(a) **Assignment of Inventions**. Executive will make full written disclosure to the Company, and hold in trust for the sole right and benefit of the Company, and hereby assigns to the Company, or its designees, all of the Executive's right, title, and interest in and to any and all inventions, original works of authorship, developments, concepts, improvements or trade secrets, whether or not patentable or registrable under copyright or similar laws, which the Executive may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of time the Executive is engaged as an employee of the Company (collectively referred to as "Inventions") and which (i) are developed using the equipment, supplies, facilities or Confidential Information or Trade Secrets of the Company or the Company's subsidiaries, (ii) result from or are suggested by work performed by Executive for the Company or the Company's subsidiaries, or (iii) relate at the time of conception or reduction to practice to the business as conducted by the Company or the Company's subsidiaries, or to the actual or demonstrably anticipated research or development of the Company or the Company's subsidiaries, will be the sole and exclusive property of the Company or the Company's subsidiaries, and Executive will and hereby does assign all of the Executive's right, title and interest in such Inventions to the Company and the Company's subsidiaries. Executive further acknowledge that all original works of authorship which are made by him (solely or jointly with others) within the scope

of and during the period of the Executive's employment arrangement with the Company and which are protectible by copyright are "works made for hire," as that term is defined in the United States Copyright Act.

(b) **Patent and Copyright Registrations**. Executive agrees to assist the Company and the Company's subsidiaries, or their designees, at the Company or the Company's subsidiaries' expense, in every proper way to secure the Company's or the Company's subsidiaries' rights in the Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, including the disclosure to the Company and the Company's subsidiaries of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which the Company or the Company's subsidiaries shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to the Company and its subsidiaries, and their successors, assigns, and nominees the sole and exclusive rights, title and interest in and to such Inventions, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. Executive further agree that the Executive's obligation to execute or cause to be executed, when it is in the Executive's power to do so, any such instrument or papers shall continue after the termination of this Agreement.

(c) **Inventions Retained and Licensed**. There are no inventions, original works of authorship, developments, improvements, and trade secrets which were made by Executive prior to the Executive's employment with the Company (collectively referred to as "Prior Inventions"), which belong to Executive, which relate to the Company's or the Company's subsidiaries' proposed business, products or research and development, and which are not assigned to the Company or the Company's subsidiaries hereunder.

(d) **Return of Company Property and Information**. The Executive agrees not to remove any property of the Company or the Company's subsidiaries or information from the premises of the Company or the Company's subsidiaries, except when authorized by the Company or the Company's subsidiaries. Executive agrees to return all such property and information within seven days following the cessation of Executive's employment for any reason. Such property includes, but is not limited to, the original and any copy (regardless of the manner in which it is recorded) of all information provided by the Company or the Company's subsidiaries to the Executive or which the Executive has developed or collected in the scope of the Executive's employment, as well as all issued equipment, supplies, accessories, vehicles, keys, instruments, tools, devices, computers, cell phones, materials, documents, plans, records, notebooks, drawings, or papers. Upon request by the Company, the Executive shall certify in writing that all copies of information subject to this Agreement located on the Executive's computers or other electronic storage devices have been permanently deleted. Provided, however, the Executive may retain copies of documents relating to any employee benefit plans applicable to the Executive and income records to the extent necessary for the Executive to prepare the Executive's individual tax returns.

11. **Mitigation**. The Executive shall not be required to mitigate the amount of any payment the Company becomes obligated to make to the Executive in connection with this Agreement, by seeking other employment or otherwise. Except as specifically provided above with respect to the health care continuation benefit, the amount of any payment provided for in Section 8 shall not be reduced, offset or subject to recovery by the Company by reason of any compensation

earned by the Executive as the result of employment by another employer after the Date of Termination, or otherwise.

12. **Withholding of Taxes.** The Company shall withhold from any amounts or benefits payable under this Agreement all federal, state, city or other taxes that the Company is required to withhold under any applicable law, regulation or ruling.

13. **Modification and Severability**. The terms of this Agreement shall be presumed to be enforceable, and any reading causing unenforceability shall yield to a construction permitting enforcement. If any single covenant or provision in this Agreement shall be found unenforceable, it shall be severed and the remaining covenants and provisions enforced in accordance with the tenor of the Agreement. In the event a court should determine not to enforce a covenant as written due to overbreadth, the parties specifically agree that said covenant shall be enforced to the maximum extent reasonable, whether said revisions be in time, territory, scope of prohibited activities, or other respects.

14. **Governing Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia.

15. **Remedies and Forum**. The parties agree that they will not file any action arising out of this Agreement other than in the United States District Court for the Northern District of Georgia or the State or Superior Courts of Cobb County, Georgia. Notwithstanding the pendency of any proceeding, either party shall be entitled to injunctive relief in a state or federal court located in Cobb County, Georgia upon a showing of irreparable injury. The parties consent to personal jurisdiction and venue solely within these forums and solely in Cobb County, Georgia and waive all otherwise possible objections thereto. The prevailing party shall be entitled to recover its costs and attorney's fees from the non-prevailing party(ies) in any such proceeding no later than 90 days following the settlement or final resolution of any such proceeding. The existence of any claim or cause of action by the Executive against the Company or the Company's subsidiaries, including any dispute relating to the termination of this Agreement, shall not constitute a defense to enforcement of said covenants by injunction.

16. **Notices**. All written notices required by this Agreement shall be deemed given when delivered personally or sent by registered or certified mail, return receipt requested, or by a nationally-recognized overnight delivery service to the parties at their addresses set forth on the signature page of this Agreement. Each party may, from time to time, designate a different address to which notices should be sent.

17. **Amendment**. This Agreement may not be varied, altered, modified or in any way amended except by an instrument in writing executed by the parties hereto or their legal representatives.

18. **Binding Effect**. This Agreement shall be binding upon the Executive and on the Company, and their successors and assigns effective on the date first above written. Executive consents to any assignment of this Agreement by the Company, so long as the Company will require any successor to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. If the

Executive dies before receiving all payments due under this Agreement, unless expressly otherwise provided hereunder or in a separate plan, program, arrangement or agreement, any remaining payments due after the Executive's death shall be made to the Executive's beneficiary designated in writing (provided such writing is executed and dated by the Executive and delivered to the Company in a form acceptable to the Company prior to the Executive's death) and surviving the Executive or, if none, to the Executive's estate.

19. **No Construction Against Any Party**. This Agreement is the product of informed negotiations between the Executive and the Company. If any part of this Agreement is deemed to be unclear or ambiguous, it shall be construed as if it were drafted jointly by all parties. The Executive and the Company agree that none of the parties were in a superior bargaining position regarding the substantive terms of this Agreement.

20. **Deferred Compensation Omnibus Provision**. Notwithstanding any other provision of this Agreement, it is intended that any payment or benefit which is provided pursuant to or in connection with this Agreement which is considered to be deferred compensation subject to Section 409A of the Code shall be provided and paid in a manner, and at such time, including without limitation payment and provision of benefits only in connection with the occurrence of a permissible payment event contained in Section 409A (e.g. separation from service from the Company and its affiliates as defined for purposes of Section 409A of the Code), and in such form, as complies with the applicable requirements of Section 409A of the Code to avoid the unfavorable tax consequences provided therein for non-compliance. Notwithstanding any other provision of this Agreement, the Company's Compensation Committee or Board of Directors is authorized to amend this Agreement, to amend or void any election made by the Executive under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by it to be necessary or appropriate to comply, or to evidence or further evidence required compliance, with Section 409A of the Code (including any transition or grandfather rules thereunder). For purposes of this Agreement, all rights to payments and benefits hereunder shall be treated as rights to receive a series of separate payments and benefits to the fullest extent allowed by Section 409A of the Code. If the Executive is a key employee (as defined in Section 416(i) of the Code without regard to paragraph (5) thereof) and any of the Company's stock is publicly traded on an established securities market or otherwise, then payment of any amount or provision of any benefit under this Agreement which is considered deferred compensation subject to Section 409A of the Code shall be deferred for six (6) months after termination of Executive's employment or, if earlier, Executive's death, as required by Section 409A(a)(2)(B)(i) of the Code (the "409A Deferral Period"). In the event such payments are otherwise due to be made in installments or periodically during the 409A Deferral Period, the payments which would otherwise have been made in the 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the 409A Deferral Period ends, and the balance of the payments shall be made as otherwise scheduled. In the event benefits are required to be deferred, any such benefit may be provided during the 409A Deferral Period at the Executive's expense, with the Executive having a right to reimbursement from the Company once the 409A Deferral Period ends, and the balance of the benefits shall be provided as otherwise scheduled. For purposes of this Agreement, termination of employment shall mean a "separation from service" within the meaning of Section 409A of the Code where it is reasonably anticipated that no further services would be performed after such date or that the level of bona fide services Executive would perform after that date (whether as an employee or independent contractor) would permanently decrease to no more than 20 percent of the average level of bona fide services

performed over the immediately preceding 36-month period (or, if lesser, Executive's period of service).

21. **Mandatory Reduction of Payments in Certain Events**. Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") would be subject to the excise tax (the "Excise Tax") imposed by Section 4999 of the Code, then, prior to the making of any Payment to Executive, a calculation shall be made comparing (i) the net benefit to Executive of the Payment after payment of the Excise Tax to (ii) the net benefit to Executive if the Payment had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (i) above is less than the amount calculated under (ii) above, then the Payment shall be limited to the extent necessary to avoid being subject to the Excise Tax (the "Reduced Amount"). In that event, cash payments shall be modified or reduced first and then any other benefits. The determination of whether an Excise Tax would be imposed, the amount of such Excise Tax, and the calculation of the amounts referred to in clauses (i) and (ii) of the foregoing sentence shall be made by an independent accounting firm selected by Company and reasonably acceptable to the Executive, at the Company's expense (the "Accounting Firm"), and the Accounting Firm shall provide detailed supporting calculations. Any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Payments which Executive was entitled to, but did not receive pursuant to this Section 21, could have been made without the imposition of the Excise Tax ("Underpayment"). In such event, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

22. **Entire Agreement**. Except as provided in the next sentence, this Agreement constitutes the entire agreement of the parties with respect to the matters addressed herein and it supersedes all other prior agreements and understandings, both written and oral, express or implied, with respect to the subject matter of this Agreement. It is further specifically agreed and acknowledged that, except as provided herein, the Executive shall not be entitled to severance payments or benefits under any severance or similar plan, program, arrangement or agreement of or with the Company for any termination of employment occurring while this Agreement is in effect.

[Signatures are on the following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written herein.

PRG-SCHULTZ INTERNATIONAL, INC.

By: /s/ Jennifer Moore
Its: Senior VP - Human Resources
600 Galleria Parkway
Suite 100
Atlanta, Georgia 30339
Attn: General Counsel

EXECUTIVE

/s/ James R. Shand
James R. Shand

EXHIBIT A

ADDITIONAL TERMS, COMPENSATION AND BENEFITS

1. **One-Time Bonus**. The Executive will be eligible to receive a one-time bonus in the aggregate amount of $90,000 (subject to applicable tax withholding) payable on or before July 31, 2009, subject to the Executive's continued employment until such time.
2. **Stock Compensation**. The Company shall grant to the Executive on the Effective Date, as an initial equity award, 20,000 shares of restricted stock which will be time-vested restricted stock, vesting 50% on each of the first and third anniversaries of the date of grant subject to the Executive's continued employment through such date(s).

EXHIBIT B

RESTRICTED TERRITORY

"Restricted Territory" refers to all the geographic areas described in I. and II. below, collectively.

I. All of the following Metropolitan Statistical Areas in the U.S., collectively:

Baltimore-Towson, MD
Fayetteville-Springdale-Rogers, AR-MO
Danville, IL
Charlotte-Gastonia-Concord, NC-SC

Dallas-Fort Worth-Arlington, TX
Chicago-Naperville-Joliet, IL-IN-WI

Boise City-Nampa, ID
Minneapolis-Saint Paul-Bloomington, MN-WI
New York-Northern NJ-Long Island, NY-NJ-PA

Phoenix-Mesa-Scottsdale, AZ
Miami-Fort Lauderdale-Pompano Beach, FL
Waco, TX
Milwaukee-Waukesha-West Allis, WI
San Francisco-Oakland-Fremont, CA
Memphis, TN-MS-AR
Seattle-Tacoma-Bellevue, WA
Trenton-Ewing, NJ
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD
Harrisburg-Carlisle, PA
Atlanta-Sandy Springs-Marietta, GA
Salt Lake City, UT

II. All of the area within the city limits of the following cities and within 25 kilometers of the city limits of the following cities, collectively:

Barrie, Ontario, Canada
Brampton, Ontario, Canada
Cambridge, Ontario, Canada
Mississauga, Ontario, Canada
Toronto, Ontario, Canada
Boucherville, Quebec, Canada
Montreal, Quebec, Canada
Calgary, Alberta, Canada
Stellerton, Nova Scotia, Canada
Mexico City, Mexico
San Paulo, Brazil
Bristol, United Kingdom
Croydon, United Kingdom
Hemel Hempstead, United Kingdom
Hull, United Kingdom
Leicester, United Kingdom
Liverpool, United Kingdom
London, United Kingdom
Luton, United Kingdom
Manchester, United Kingdom
Mitcheldean, United Kingdom
Notingham, United Kingdom
Rochdale, United Kingdom
Swindon, United Kingdom
Wallington, United Kingdom
Lille, France
Lyon — Saint Etienne, France
Paris, France
Den Bosch, Noord -Brabant, Holland
Madrid, Spain
Senhora da Hora — Portugal
Stockholm, Sweden
Hong Kong, China
Shanghai, China
Bangkok, Thailand
Sydney, Australia
Auckland, New Zealand

EXHIBIT 21.1

PRGX GLOBAL, INC.

SUBSIDIARIES

As of December 31, 2009

Company	Jurisdiction of Organization
PRGX USA, Inc.	Georgia
PRGX Asia, Inc.	Georgia
PRGX Australia, Inc.	Georgia
PRGX Belgium, Inc.	Georgia
PRGX Canada, LLC	Georgia
PRGX Costa Rica, Inc.	Georgia
PRGX New Zealand, Inc.	Georgia
PRGX Netherlands, Inc.	Georgia
PRGX Mexico, Inc.	Georgia
PRGX France, Inc.	Georgia
PRGX Germany, Inc.	Georgia
PRGX South Africa, Inc.	Georgia
PRGX Switzerland, Inc.	Georgia
PRGX Italy, Inc.	Georgia
PRGX Spain, Inc.	Georgia
PRGX Portugal, Inc.	Georgia
PRG International, Inc.	Georgia
PRG USA, Inc.	Georgia
PRGX Scandinavia, Inc.	Georgia
PRGX Japan, Inc.	Georgia
PRGX Puerto Rico, Inc.	Georgia
PRGX Chile, Inc.	Georgia
PRGX Europe, Inc.	Georgia
PRGX Brasil, LLC	Georgia
The Profit Recovery Group Holdings Mexico, S de RL de CV	Mexico
The Profit Recovery Group Servicios Mexico S de RL de CV	Mexico
The Profit Recovery Group de Mexico S de RL de CV	Mexico
The Profit Recovery Group Argentina S.A.	Argentina
Profit Recovery Brasil Ltda.	Brazil
PRG-Schultz International PTE LTD	Singapore
PRG-Schultz Suzhou' Co Ltd.	China
PRG-Schultz CR s.r.o.	Czech Republic
PRGFS, Inc.	Delaware
PRGX Texas, Inc.	Texas
Meridian Corporation Limited	Jersey (Channel Islands)
PRGX UK Holdings Ltd	United Kingdom
PRG-Schultz Ireland LTD	Ireland
PRGX UK Ltd	United Kingdom
PRGX Canada Corp.	Canada
PRG-Schultz (Deutschland) GmbH	Germany

Company	Jurisdiction of Organization
PRG-Schultz Nederland B.V.	Netherlands
PRG-Schultz Italia SRL	Italy
PRG-Schultz Puerto Rico	Puerto Rico
PRG-Schultz Peru S.R.L.	Peru
PRG-Schultz Colombia Ltda.	Columbia
PRG-Schultz Svenska AB	Sweden
PRG-Schultz Venezuela S. R. L.	Venezuela
PRG-Schultz Polska Sp. z o.o	Poland
Howard Schultz & Associates (Asia) Limited	Hong Kong
HS&A International PTE LTD	Singapore
PRG-Schultz (Thailand) Limited	Thailand
Howard Schultz de Mexico, S.A. de C.V.	Mexico
PRGDS, LLC	Georgia
PRGTS, LLC	Georgia

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

PRGX Global, Inc.
Atlanta, Georgia

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File No. 333-134698) and Form S-8 (File No. 333-153837, No. 333-64125, No. 333-08707, No. 333-30885, No. 333-61578, No. 333-81168, No. 333-100817 and 333-137438) of PRGX Global, Inc. and subsidiaries of our report dated March 29, 2010, relating to the consolidated financial statements and financial statement schedule which appears in this Form 10-K.

/s/ BDO Seidman, LLP

Atlanta, Georgia

March 29, 2010

EXHIBIT 31.1

CERTIFICATION

I, Romil Bahl, certify that:

1. I have reviewed this Form 10-K of PRGX Global, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

(b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ ROMIL BAHL

Romil Bahl
President, Chief Executive Officer, Director
(Principal Executive Officer)

March 29, 2010

EXHIBIT 31.2

CERTIFICATION

I, Robert B. Lee, certify that:

1. I have reviewed this Form 10-K of PRGX Global, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

(b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ ROBERT B. LEE

Robert B. Lee
Chief Financial Officer and Treasurer
(Principal Financial Officer)

March 29, 2010

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of PRGX Global, Inc. (the "Company") on Form 10-K for the period ending December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Romil Bahl, President and Chief Executive Officer of the Company and I, Robert B. Lee, Chief Financial Officer and Treasurer, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of the undersigned's knowledge: (1) the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ ROMIL BAHL

Romil Bahl
President, Chief Executive Officer, Director
(Principal Executive Officer)

March 29, 2010

By: /s/ ROBERT B. LEE

Robert B. Lee
Chief Financial Officer and Treasurer
(Principal Financial Officer)

March 29, 2010