

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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FILER

PHYSICIANS RESOURCE GROUP INC

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SIC: **8093** Specialty outpatient facilities, nec

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) March 19, 1999

Physicians Resource Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	1-13778 (Commission File Number)	76-0456864 (IRS Employer Identification No.)
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14800 Landmark Blvd., Suite 500, Dallas, TX 75240
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (972) 892-7200

Item 5. Other Events.

On March 19, 1999, Physicians Resource Group, Inc. (the "Company") entered into a restructuring agreement (the "Restructuring Agreement") with Resurgence Asset Management, LLC ("Resurgence"), which owns or manages approximately \$92 million principal amount of the Company's \$125 million principal amount of 6% Convertible Subordinated Debentures due 2001 (the "Debentures"). The Restructuring Agreement between the Company and Resurgence is contingent on the consummation by the Company of a restructuring by September 30, 1999. The Company's overall restructuring would involve (i) the sale of practice assets and interests in surgery centers to its affiliated practices and a concurrent termination of management services agreements and execution of mutual releases between the Company and such practices and (ii) the sale of certain interests in surgery centers to a strategic partner. Upon consummation of the restructuring, the Company intends to continue performing management services for certain practices. The Company anticipates that its overall restructuring will be conditioned on its ability to consummate agreements with providers and a strategic partner, approval of the Company's shareholders, solicitation of Debenture holders and a number of other conditions. No assurances can be provided that the Company will be able to consummate its overall restructuring

or obtain necessary approvals or consents.

Under the terms of the Company's Restructuring Agreement with Resurgence, the holders of \$125 million principal amount of the Company's Debentures would receive (i) \$100 million principal amount in cash and/or notes from the restructuring of the Company's relationships with its affiliated practices and the sale to a strategic partner of certain interests in surgery centers and (ii) an interest in the net proceeds of certain patent litigation. The Company has agreed to pay \$3.75 million in interest that was due on the Debentures on December 1, 1998. In connection with the Restructuring Agreement, Resurgence has loaned to the Company \$3.75 million. This loan is evidenced by a secured promissory note (the "Note") which bears interest at the rate of 20% per annum and is due and payable in its entirety on September 30, 1999. Interest on the Note is payable monthly beginning May 1, 1999. There is no prepayment penalty for early retirement of the Note. The Note is secured by a pledge of an interest in various of its subsidiaries.

A press release dated March 22, 1999 that was issued by the Company regarding the Company's entering into the Debenture Restructuring Agreement is filed as an exhibit to this report and is incorporated herein by reference.

Item 7. Financial Statements and Exhibits.

(c) Exhibits:

- (99.1) News release of Physicians Resource Group, Inc. dated March 22, 1999.
- (99.2) Letter Agreement dated March 19, 1999 between Physicians Resource Group, Inc. and Resurgence Asset Management, Inc.

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- (99.3) Promissory Note dated March 19, 1999 in the original principal amount of \$3,750,000 executed by Physicians Resource Group, Inc. and payable to M.D. Sass Corporate Resurgence Partners, L.P.
- (99.4) Pledge and Security Agreement dated March 19, 1999 between Physicians Resource Group, Inc., certain of its subsidiaries and M.D. Sass Corporate Resurgence Partners, L.P.

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SIGNATURES

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

PHYSICIANS RESOURCE GROUP, INC.

Date: March 24, 1999

By: /s/ D. MEYER

David Meyer, Chairman of the Board

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EXHIBIT INDEX

<TABLE>

<CAPTION>

Exhibit No.

Description

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|--------|---|
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</TABLE>

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FOR IMMEDIATE RELEASE

PHYSICIANS RESOURCE GROUP, INC.
ANNOUNCES DEBENTURE RESTRUCTURING AGREEMENT

DALLAS, TEXAS - March 22, 1999 - Physicians Resource Group, Inc. ("PRG" or the "Company") today announced that it had entered into a restructuring agreement (the "Restructuring Agreement") with Resurgence Asset Management, LLC ("Resurgence"), which owns or manages approximately \$92 million principal amount of the Company's \$125 million principal amount of 6% Convertible Subordinated Debentures due 2001 (the "Debentures"). The Restructuring Agreement between the Company and Resurgence is contingent on the consummation by the Company of a restructuring by September 30, 1999. The Company's overall restructuring would involve (i) the sale of practice assets and interests in surgery centers to its affiliated practices and a concurrent termination of management services agreements and execution of mutual releases between PRG and such practices and (ii) the sale of certain interests in surgery centers to a strategic partner. Upon consummation of the restructuring, the Company intends to continue performing management services for certain practices. The Company anticipates that its overall restructuring will be conditioned on its ability to consummate agreements with providers and a strategic partner, approval of the Company's shareholders, solicitation of Debenture holders and a number of other conditions. No assurances can be provided that the Company will be able to consummate its overall restructuring or obtain necessary approvals or consents.

Under the terms of the Company's Restructuring Agreement with Resurgence, the holders of \$125 million principal amount of PRG's Debentures would receive (i) \$100 million principal amount in cash and/or notes from the restructuring of PRG's relationships with its affiliated practices and the sale to a strategic partner of certain interests in surgery centers and (ii) an interest in the net proceeds of certain patent litigation.

PRG is a provider of physician practice management services to eye care practices and operates ambulatory surgery centers. Contact: Michael Yeary, President (713) 629-5777 or Paul N. Silverstein, Andrews & Kurth L.L.P. (212) 850-2800.

Certain statements in this news release consist of forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. As such, they involve risks and uncertainties as detailed from time to time in the reports filed by the Company with the

Securities and Exchange Commission, including the Company's Annual Report on Form 10-K, as amended, for the year ended December 31, 1997.

Resurgence Asset Management, LLC

10 New King Street

White Plains, NY 10604

March 19, 1999

Via Telecopy: (901) 767-1352

Physicians Resource Group, Inc.
1430 East Massey Road
Memphis, Tenn. 38120
Attention: David Meyer
Chairman of the Board

Re: Restructuring Proposal for Debentures

Dear Dr. Meyer:

By their duly authorized signatures below, this letter agreement (the "Agreement") confirms and memorializes the agreement of Resurgence Asset Management, LLC, on behalf of itself and funds that it manages (collectively, "RAM") and Physicians Resource Group, Inc. ("PRG") to a restructuring of the Debentures (defined below), the essential terms of which are set forth herein (the "Restructuring").

1. RAM represents and warrants that it is the beneficial owner of \$91.896 million principal amount of 6% Convertible Subordinated Debentures issued by PRG (the "Debentures"). RAM will, as soon as practicable, use reasonable efforts to encourage other holders of Debentures to agree to and support the Restructuring. RAM will reasonably apprise PRG's counsel concerning the specifics of such efforts and the results thereof. Prior to the Closing Date, RAM shall have caused Bondholders holding, including itself, in the aggregate, not less than \$116.896 million principal amount of Debentures to agree to the Restructuring and be bound by this Agreement.

2. On the date the Restructuring is consummated (the "Closing Date"), beneficial owners of the outstanding \$125 million principal amount of Debentures

(the "Bondholders"), who tender or exchange (or cause the record holders to tender or exchange) their Debentures or who are otherwise bound by the Restructuring, will receive in exchange for, or in full satisfaction of, such Debentures including all unpaid interest accrued thereon (but excluding the interest identified in paragraph "3" of this Agreement) their Pro Rata Share (defined below) of the consideration set forth in each of subparagraphs (a), (b) and (c) below:

(a) From the sale to Providers of practices, practice assets, direct and indirect interests in ASCs and repayment of prior loans (the "Provider Sales"), at the option of PRG (i) \$80 million in cash, (ii) beneficial interest in \$80 million principal amount of notes from one or more physicians or physician practice groups or associations who have previously entered into management service agreements with PRG or its subsidiaries ("Providers"), which notes shall be repaid in 36 equal monthly installments of principal and interest (all notes given to PRG shall collectively be referred to as the "Notes") or (iii) any combination of the consideration set forth in (i) and (ii) that equals an aggregate of \$80 million in cash and beneficial interest in principal amount of Notes. The Notes shall bear interest at the rate of ten per cent (10%) per annum and shall be secured by substantially all tangible assets of the Provider or practice group entity which executes such Note, but excluding any interest of any Provider in any ambulatory surgery center ("ASC") and assets that cannot be pledged due to existing contractual restrictions with lessors, landlords or other third parties not under the control of PRG, its subsidiaries or such Providers. If a Provider who executes a Note has an interest in any ASC ("ASC Interest"), any such Provider shall execute a "negative pledge," in form and substance reasonably satisfactory to PRG and RAM, pursuant to which such Provider shall agree not to pledge or otherwise encumber such Provider's ASC Interest after the Closing Date. Such "negative pledge" shall terminate (x) if there is no monetary default under the Notes (excluding any default that has been cured within the applicable grace period provided in the Notes) within the first anniversary of the Closing Date and (y) in any event, as to Notes of particular Providers or practice groups, when such Notes are paid in full. Any Notes of Providers that are practice groups or associations will be jointly and severally guaranteed by each physician owner /stockholder of such practice group (such physicians being referred to as "Guarantors"). The Notes and guarantees shall be in form and substance reasonably acceptable to PRG and RAM. PRG will use its reasonable efforts to enable Bondholders to receive, on the Closing Date, \$40 million in cash in lieu of beneficial interests in \$40 million principal amounts of Notes. All Notes, whether delivered to PRG before or after the Closing Date, shall be payable to (or endorsed or transferred to) and placed in a trust (the "CLO Trust") and shall be structured as and styled "Guaranteed Collateralized Loan Obligation Notes" or the like ("CLOs"), in form and substance reasonably acceptable to PRG and RAM. RAM, subject to PRG's reasonable approval, shall have the right to select the trustee and servicing agent for the CLO Trust. The Bondholders will be given a beneficial interest in Notes having a principal amount of \$80 million minus the amount of cash from the Provider Sales paid by PRG to Bondholders (the "Bondholder Beneficial Interest") and PRG will be given a beneficial interest in the balance of the Notes (the "PRG Beneficial Interest"). Interest and principal received by the CLO Trust on the Notes shall

be paid pro rata to the holders of the Bondholder Beneficial Interest and the PRG Beneficial Interest monthly; provided, however, if there is insufficient cash flow on a monthly basis from principal and interest payments on the Notes, cash shall be paid on the Bondholder Beneficial Interest in an amount equal to the amount payable on the original principal amount of the Bondholder Beneficial Interest (or such lower principal amount caused solely as a consequence of monthly principal pay downs on the Bondholder Beneficial Interest), including any past due amounts of principal and interest, prior to the monthly payments on the PRG Beneficial Interest being paid. Principal pre-payments (in excess of regularly scheduled monthly payments on the Notes) shall be applied and paid to the Bondholder Beneficial Interest. To the extent the aggregate consideration received by PRG in respect of the Provider Sales exceeds \$80 million principal amount in cash and Notes (the "Excess Consideration"),

the CLO Trust shall, on the Closing Date be funded with Notes and cash, in the aggregate principal amount of the lesser of (x) 110% of the principal amount of the Bondholder Beneficial Interest or (y) the principal amount of the Bondholder Beneficial Interest plus the Excess Consideration. Notwithstanding the foregoing, all Notes and cash received by PRG from Provider Sales after the Closing Date shall be placed in the CLO Trust until the aggregate principal amount of the cash and Notes in the CLO Trust exceeds 110% of the principal amount of the Bondholder Beneficial Interest, after which time PRG may retain cash received from Provider Sales and all Notes shall be payable to the CLO Trust. (For avoidance of doubt, and by way of example only, if on the Closing Date there is \$80 million principal amount of Notes in the CLO Trust and on the following day PRG receives an aggregate principal amount of \$10 million from Provider Sales, \$5 million in cash and \$5 million principal amount of Notes, the \$5 million principal amount of Notes and \$3 million of cash shall be placed in the CLO Trust.) Provided there is no impact on PRG, the makers of the Notes or the PRG Beneficial Interest, and with PRG's consent, not to be unreasonably withheld, the Bondholders shall have reasonable discretion to structure the Bondholder Beneficial Interest in a variety of different ways as to cash flow to the holders of the Bondholder Beneficial Interest. At the Bondholders' request, PRG shall use reasonable efforts to structure the CLO Trust in a manner such that the certificates of beneficial interest therein can be freely and publicly traded, provided the Bondholders bear the incremental cost involved; provided, however, that PRG gives no assurances that such certificates will be freely or publicly traded on the Closing Date or thereafter.

(b) \$20 million in cash from the proceeds of an acquisition by a strategic partner of interests in ASCs or ASC assets (the "ASC Interest Sale") on the Closing Date.

(c) fifty percent (50%) of PRG's interest in the net proceeds (net of all pre-Closing Date, not to exceed \$1.3 million of documented expenses, and post-Closing Date legal and related expenses) from the prosecution or settlement of a lawsuit being prosecuted by PRG asserting on behalf of PRG (and others) violations of patents relating to surface sculpturing lasers (the "Laser Patent Litigation"). After the Closing Date, PRG shall fund not less than the first \$250,000 in connection with the prosecution of such action. RAM and/or

Bondholders shall fund the next \$250,000 for the prosecution of the action. (Any funding in excess of \$500,000 shall be borne equally by PRG and the Bondholders.) Notwithstanding the foregoing, if the Post Closing Date cost and expense of prosecuting the Laser Patent Litigation is less than \$250,000, PRG shall only pay the amount of such actual cost and expense and RAM and the other Bondholders shall have no funding obligation. To the extent either PRG, on the one hand, or any of the Bondholders, on the other hand, determines not or otherwise fails, to fund its respective funding share, such person (including respective successors and assigns) shall forfeit all legal, beneficial or ownership interest in the proceeds of Laser Patent Litigation. If RAM funds its respective funding share, but other Bondholders fail to fund their respective shares of such expenses, RAM shall have the right to fund the non-funding person's funding share and, in such event, the non-funding person shall forfeit all of its right title and interest in and to the proceeds of the Laser Patent Litigation and the Litigation Trust (defined below) to RAM. In the event RAM does not fund the funding share of the non-funding person, as set forth immediately above, then PRG shall have the right to fund such non-funding person's funding share and, in such event, such non-funding person shall forfeit all of its right, title and interest in and to the proceeds of the Laser Patent Litigation and the Litigation Trust

to PRG. Any settlement, disposition or determination with respect to the prosecution of the Laser Patent Litigation (including any determination not to prosecute the action) shall be subject to (x) the joint control of PRG and RAM so long as RAM retains beneficial ownership in not less than 10% of the Bondholders' share of the beneficial interests in the Litigation Trust (defined below) or (y) if RAM ceases to hold such beneficial ownership, consent of 51% of the Bondholders, which consent shall not be unreasonably withheld or delayed. PRG's right, title and interest in and to its share of the proceeds of the Laser Patent Litigation will be transferred to a litigation trust (the "Litigation Trust"), in form and substance reasonably acceptable to PRG and RAM, with Bondholders receiving 50% of all the beneficial interests in such trust. PRG and RAM shall each appoint two trustees to the Litigation Trust, each of whom shall be reasonably acceptable to PRG and RAM. PRG shall designate David Meyer as one of its trustees. Should any of such trustees resign, become incapacitated or otherwise be unable to continue to serve in such capacity, the remaining trustee designated by PRG or RAM, as the case may be, shall appoint a successor. At the Bondholders' request, PRG shall use reasonable efforts to structure the Litigation Trust in a manner such that the certificates of beneficial interest therein can be freely and publicly traded provided the Bondholders bear the incremental cost involved; provided, however, that PRG gives no assurances that such certificates will be freely or publicly traded on the Closing Date or thereafter.

For purposes of this letter agreement, "Pro Rata Share" shall mean the proportionate interest of each Bondholder in the foregoing consideration determined by multiplying such aggregate consideration by the ratio of aggregate principal amount of Debentures held by such Bondholder to the aggregate principal amount of all Debentures outstanding on the date of this Agreement.

3. The amount of interest originally due, without penalty or surcharge, on the Debentures on December 1, 1998 in the amount of \$3.75 million will be paid within one (1) business day after PRG's receipt of the RAM Loan (defined below). PRG shall borrow the \$3.75 million necessary to make such payment from RAM or its designee pursuant to the loan documents collectively annexed hereto as Exhibit "A" (the "RAM Loan"). The RAM Loan shall have a one per cent (1%) origination fee, interest at the rate of twenty percent (20%) per annum, no pre-payment penalty and no personal guarantees.

4. Prior to the Termination Date (defined below), RAM and any other Bondholder agreeing to be bound by the terms of this Agreement shall not, directly or indirectly, sell, assign, hypothecate, grant an option on, or otherwise dispose of (collectively "Transfer") any of the Debentures held by it (as identified on page 1 of this Agreement) to any other person ("Transferee") and shall maintain all voting rights with respect thereto; provided, however, that RAM (and any other Bondholder agreeing to be bound by this Agreement) shall be entitled to Transfer any or all of its Debentures if such Transferee agrees to be bound by the terms of this Agreement in the form annexed hereto as Exhibit "B" or in form and substance otherwise acceptable to PRG.

5. RAM's agreement to this proposal is subject to (i) verification, to RAM's reasonable satisfaction, of the creditworthiness of the Providers and Guarantors, (ii) completion of the Restructuring on or before the September 30, 1999 (the "Termination Date") and (iii) PRG's

payment on a current basis of the Bondholders' reasonable expenses, including reasonable legal fees and disbursements incurred in connection with the Restructuring, in the maximum aggregate amount of \$300,000 (\$75,000 of which shall be placed in escrow with RAM's counsel on or before two(2) business days after the date this Agreement is executed).

6. RAM and PRG agree to execute all appropriate instruments and documents consistent with this Agreement in form and substance reasonably acceptable to PRG and RAM and necessary to implement the terms of this Agreement.

7. Upon (A) receipt or other appropriate deposit of the consideration set forth in paragraphs 2(a), (b) and (c) of this Agreement and the satisfaction of such other agreements of PRG set forth herein, including PRG's obligations under Section 2 of this Agreement, and (B) PRG's payment of the outstanding reasonable out-of-pocket costs, fees and expenses of the Indenture Trustee for the Debentures in an amount not to exceed \$25,000, the Bondholders will deliver or cause to be delivered to PRG or a designee of PRG all Debentures beneficially owned by Bondholders (and in the case of RAM, together with other Bondholders agreeing to be bound by this Agreement in the principal amount of not less than \$ 116.896 million) with all appropriate instruments of transfer duly executed.

8. On the Closing Date, PRG shall deliver to the Bondholders an opinion of PRG's counsel covering (A) the due and valid formation of the CLO Trust and the Litigation Trust, (B) that all requisite consents to the Restructuring have

been obtained, (C) that all necessary approvals to the validity, authorization and implementation of the Restructuring have been obtained and (D) subject to the following proviso, that the Restructuring does not violate applicable state or federal securities and health care law and regulations; provided, however, that if either (x) PRG determines not to provide the legal opinion identified in subparagraph "D" of this Paragraph 8 or (y) the legal opinion identified in subparagraph "D" of this Section 8 is not in form and substance reasonably acceptable to RAM, then, in such event, RAM shall have no obligation to close the Restructuring unless RAM determines to its reasonable satisfaction that the Restructuring does not violate applicable state and federal securities and health care laws and regulations.

9. In consideration of RAM's agreements set forth herein, and unless PRG determines not to pursue or proceed with the Restructuring, in whole or in part, PRG agrees to use reasonable efforts to negotiate, execute and deliver (i) agreements with Providers that would enable the Providers to provide cash or Notes and guarantees in the amount and in such form as is contemplated in subparagraph 2(a) and (ii) agreements with a strategic partner sufficient to provide the consideration to Bondholders contemplated in subparagraph 2(b), which in each case contemplates a Closing Date on or prior to the Termination Date. PRG gives no assurances that it will be able to obtain agreements from Providers or any strategic partner. Should PRG determine not to pursue the Restructuring for any reason, PRG shall give prompt written notice to RAM of any such determination.

10. This Agreement is intended to be an agreement (enforceable in accordance with its terms) between RAM, PRG, any other Bondholder or other person who agrees in writing to be bound

by this Agreement. Each party hereto acknowledges and agrees that the other parties will act in reliance on the agreements of each party set forth herein. RAM acknowledges and agrees that any damages to PRG resulting from any breach of this Agreement by RAM may not be capable of determination and, accordingly, PRG may, in addition to any other remedy available to it, seek to enforce this Agreement through all available equitable remedies, including specific performance.

11. RAM (and any other Bondholder who agrees in writing with PRG or RAM to be bound by this Agreement) represent and warrant to PRG that this Agreement has been duly authorized and is a valid and binding obligation of RAM (or other Bondholder).

12. PRG represents and warrants that this Agreement has been duly authorized and is a valid and binding obligation of PRG.

13. RAM acknowledges that (i) PRG may determine to effect or implement the Restructuring through reorganization proceedings, including without limitation, under Chapter 11 of the United States Bankruptcy Code, (ii) in the event of any such Chapter 11 proceedings, prior to PRG's abandonment of or determination not to pursue the Restructuring, the agreements made herein are enforceable and

constitute an integral part of a Chapter 11 plan for PRG and (iii) in the event the consideration and other economic terms of the Restructuring set forth in this Agreement are set forth in PRG's Chapter 11 plan, RAM (and any other Bondholder who agrees to be bound by this Agreement) shall vote to accept, and shall support, such Chapter 11 plan. Notwithstanding the foregoing, (x) the treatment of Debentures in any such Chapter 11 plan shall be consistent with the terms of this Agreement and the disclosure statement, in so far as it describes the Restructuring, RAM and the Bondholders, shall be in form and substance reasonably acceptable to RAM and the Bondholders, and (y) subject to the approval of the bankruptcy court presiding over any such Chapter 11 proceedings, PRG shall pay the reasonable attorneys' fees of counsel to the Bondholders for work performed in such proceedings in the amount of up to \$200,000.

14. RAM shall have the right to terminate this Agreement on two (2) business days notice to PRG (i) if either PRG or David Meyer notifies RAM in writing of their intention not to pursue, or otherwise to abandon, their respective efforts to consummate the Restructuring, (ii) if the Closing Date of the Restructuring has not occurred on or before the Termination Date or (iii) in the event of any material breach by PRG of any representation or covenant made by it in this Agreement. Unless PRG notifies RAM and/or the Bondholders that (x) it has determined not to pursue, or otherwise to abandon the Restructuring, or (y) that the milestones set forth below are not attainable, PRG shall use its reasonable efforts to achieve the following milestones on or before the following dates:

- (a) execute definitive agreements to sell the practices or practice assets to the Providers by April 30, 1999;
- (b) execute an agreement with a strategic partner by April 30, 1999;
- (c) commence solicitation of Bondholders' consent to the Restructuring (including an exchange offer or the like, if necessary or appropriate) by May 30, 1999;
- (d) form the CLO Trust and Litigation Trust by May 30, 1999; and,
- (e) obtain the requisite vote of all shareholders of PRG by July 15, 1999.

15. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but all of which together shall constitute one agreement binding all of the parties hereto. Transmission by telecopier of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

RESURGENCE ASSET MANAGEMENT,
LLC

By: _____

Title: _____

AGREED and ACCEPTED
as of the date written above:

PHYSICIANS RESOURCE GROUP, INC

By: _____

David Meyer
Chairman of the Board

cc: Paul N. Silverstein, Esq.

PROMISSORY NOTE

\$3,750,000.00

March 19, 1999

FOR VALUE RECEIVED, PHYSICIANS RESOURCE GROUP, INC., a Delaware corporation ("Borrower"), hereby promises to pay to the order of M.D. SASS CORPORATE

RESURGENCE PARTNERS, L.P., a Delaware limited partnership ("Lender"), at its

principal place of business located at 10 New King Street, White Plains, New York, the principal sum of Three Million Seven Hundred Fifty Thousand and No/100 Dollars (\$3,750,000.00), on or before the Maturity Date (as hereinafter defined), together with interest on the unpaid principal balance of this Note from day to day outstanding, as hereinafter provided.

This Note is secured by the Pledge Agreement (hereinafter defined).

Section 1. Definitions. Any capitalized term used and not otherwise

defined herein shall have the meaning given such term in the Pledge Agreement. As used herein the following terms shall have the respective meanings set forth below:

"Applicable Rate" means a per annum rate of interest equal to twenty

percent (20%).

"Business Day" means a day other than a Saturday, Sunday or other day on

which national banks in New York, New York are closed.

"Loan" means the Loan made by Lender to Borrower evidenced by this Note.

"Loan Documents" means this Note, the Pledge Agreement and all other

documents evidencing, securing or executed in connection with the Loan, and all supplements, modifications, amendments and restatements thereof.

"Maturity Date" means September 30, 1999.

"Pledge Agreement" means that certain Pledge and Security Agreement of even

date herewith, executed by Borrower and certain of its subsidiaries in favor of Lender covering various capital stock and other equity ownership interests of Borrower and certain of Borrower's Subsidiaries, and all supplements, modifications and amendments thereof.

Section 2. Interest Rate and Payments.

(a) Commencing on the date of this Note and continuing until the Loan is paid in full, interest on the outstanding principal balance of the Note shall accrue at a rate per annum equal to the the Applicable Rate. Interest on this Note shall be calculated at a daily rate equal to 1/360 of the annual percentage rate which this Note bears.

(b) Commencing on May 1 , 1999, and continuing on the first (1st) day of each successive calendar month thereafter until the Loan is paid in full, Borrower shall pay to Lender all accrued but unpaid interest on this Note.

(c) The entire unpaid principal balance of this Note, together with all accrued unpaid interest hereon and any other fees or amounts owing hereon, shall be due and payable in full on the Maturity Date.

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Section 3. Commitment Fee. Borrower shall on the date this Note is

executed pay to Lender in immediately available funds a commitment fee for the Loan in the amount of \$37,500.00. Borrower and Lender acknowledge and agree that such fee is a bona fide commitment fee paid for Lender's commitment to advance the proceeds of the Loan.

Section 4. Representations and Warranties.

(a) Capacity. The Borrower is a corporation duly organized, validly

existing and in good standing under the laws of the state of its domicile.

(b) Authorization. The execution, delivery and performance of this

Note and the other Loan Documents by the Borrower has been duly authorized by all requisite action.

(c) Binding Obligations. This Note is and the other Loan Documents,

when executed and delivered to Lender, will be, legal, valid and binding upon the Borrower, enforceable in accordance with its respective terms, subject only to principles of equity and laws applicable to creditors generally, including bankruptcy laws.

(d) No Conflicting Law or Agreement. The execution, delivery and

performance of this Note and the other Loan Documents by the Borrower does not constitute a breach of or default under, and will not violate or conflict with, any provisions of the corporate charter or other constituent documents of the Borrower.

(e) No Consent Required. The execution, delivery, and performance of

this Note and the other Loan Documents by the Borrower do not requires the consent or approval of or the giving of notice to any person except for those consents which have been duly obtained and arc in full force and effect on the date hereof.

(f) Further Assurances. The Borrower shall promptly cure any defects

in the creation, issuance, or delivery of the Loan Documents. The Borrower at its expense will execute (or cause to be executed) and deliver to Lender upon request all such other and further documents, agreements, and instruments in compliance with or accomplishment of the covenants and agreements applicable to it in the Loan Documents, or to evidence further and to describe more fully any Collateral intended as security for the obligations or to correct any omissions in the Loan Documents, or to state more fully the obligations and agreements set out in any of the Loan Documents, or to perfect, protect, or preserve any encumbrances created pursuant to any of the Loan Documents, or to make any recordings, to file any notices, or to obtain any consents, all as may be reasonably necessary or appropriate in connection therewith.

Section 5. General Provisions.

Whenever any payment shall be due under this Note on a day which is not a Business Day, the date on which such payment is due shall be extended to the next succeeding Business Day.

All principal, interest and other sums payable under this Note shall be paid, not later than 2:00 p.m. (Eastern Standard Time) on the day when due, in New York, New York, in immediately available funds in lawful money of the United States of America via wire transfer to the account set forth on the annexed wire instructions. Any payment under this Note or under any other Loan Document other than in the required amount in good, unrestricted U.S. funds immediately available to the holder hereof shall not, regardless of any receipt or credit issued therefor, constitute payment until the required amount is actually received by the holder hereof in such funds and shall be made and accepted subject to the condition that any check or draft may be handled for collection in accordance with the practice of the collecting bank or banks.

Borrower shall be entitled to prepay this Note in whole or in part at any time without premium or penalty. All payments made as scheduled on this Note, and any prepayments on this Note (except as provided in Section 12 of the

Pledge Agreement), shall be applied, to the extent thereof, first to accrued but unpaid interest and the balance to unpaid principal.

The occurrence of any one of the following shall be an "Event of Default":

(a) Any principal, interest or other amount of money due under this Note is not paid in full when due, regardless of how such amount may have become due; or

(b) The making of any representation or warranty by Borrower or any of the Subsidiary Pledgors (under and as defined in the Pledge Agreement) in the Loan Documents that was false or incorrect in any material respect when made, which results in a material adverse effect on Borrower and its Subsidiaries taken as a whole; or

(c) Borrower or any Subsidiary Pledgor shall default in the due performance or observance by it of any term, covenant or agreement in this Note or the Pledge Agreement, and such default shall continue unremedied for a period of ten (10) days after written notice from Lender thereof to Borrower and the failure to perform will result in a material adverse effect on the Borrower and its Subsidiaries taken as a whole.

Any Event of Default under this Note shall constitute an Event of Default under the Pledge Agreement and any other Loan Document. Upon the occurrence of an Event of Default, the holder hereof shall have the right, at its option, to declare the unpaid principal balance and all accrued unpaid interest on this Note at once due and payable (and upon such declaration, the same shall be at once due and payable), to foreclose any liens and security interests securing payment hereof and to exercise any of its other rights, powers and remedies under this Note, under any other Loan Document, or at law or in equity.

Neither the failure by the holder hereof to exercise, nor delay by the holder hereof in exercising, the right to accelerate the maturity of this Note or any other right, power or remedy upon any default shall be construed as a waiver of such default or as a waiver of the right to exercise any such right, power or remedy at any time. No single or partial exercise by the holder hereof of any right, power or remedy shall exhaust the same or shall preclude any other or further exercise thereof, and every such right, power or remedy may be exercised at any time and from time to time. All rights and remedies provided for in this Note and in any other Loan Document are cumulative of each other and of any and all other rights and remedies existing at law or in equity, and the holder hereof shall, in addition to the rights and remedies provided herein or in any other Loan Document, be entitled to avail itself of all such other rights and remedies as may now or hereafter exist at law or in equity for the collection of the indebtedness owing hereunder, and the resort to any right or remedy provided for hereunder or under any such other Loan Document or provided for by law or in equity shall not prevent the concurrent or subsequent

employment of any other appropriate rights or remedies. Without limiting the generality of the foregoing provisions, the acceptance by the holder hereof from time to time of any payment under this Note which is past due or which is less than the payment in full of all amounts due and payable at the time of such payment, shall not (i) constitute a waiver of or impair or extinguish the rights of the holder hereof to accelerate the maturity of this Note or to exercise any other right, power or remedy at the time or at any subsequent time, or nullify any prior exercise of any such right, power or remedy, or (ii) constitute a waiver of the requirement of punctual payment and performance, or a novation in any respect.

If the holder of this Note retains an attorney in connection with any default or at maturity or to collect, enforce or defend this Note or any other Loan Document in any lawsuit or in any probate, reorganization, bankruptcy or other proceeding, or if Borrower sues the holder in connection with this Note or any other Loan Document and does not prevail, then Borrower agrees to pay to holder, in addition to principal and interest, all reasonable costs and expenses incurred by such holder in trying to collect this Note or in any such suit or proceeding, including reasonable attorneys' fees.

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Borrower and any other party hereafter liable for the payment of this Note in whole or in part, hereby severally (i) waive demand, presentment for payment, notice of dishonor and of nonpayment, protest, notice of protest, notice of intent to accelerate, notice of acceleration and all other notice (except only for any notices which are specifically required by this Note or any other Loan Document), filing of suit and diligence in collecting this Note or enforcing any of the security herefor; (ii) agree to any substitution, subordination, exchange or release of any such security or the release of any party primarily or secondarily liable hereon; (iii) agree that the holder hereof shall not be required first to institute suit or exhaust its remedies hereon against Borrower or others liable or to become liable hereon or to enforce its rights against them or any security herefor; and (iv) consent to any extension or postponement of time of payment of this Note for any period or periods of time and to any partial payments, before or after maturity, and to any other indulgences with respect hereto, without notice thereof to any of them.

This Note may not be changed, amended or modified except in a writing expressly intended for such purpose and executed by the party against whom enforcement of the change, amendment or modification is sought.

Any notice required or which any party desires to give under this Note shall be given and be effective as provided in Section 13 of the Pledge Agreement.

The proceeds of this Note will be used solely for the purpose set forth in Section 3 of the debenture restructuring agreement between Borrower and Lender, dated March 16, 1999.

Time shall be of the essence in this Note with respect to Borrower's obligations hereunder.

AS A MATERIAL INDUCEMENT FOR LENDER TO ENTER INTO THE COMMERCIAL LOAN TRANSACTION CONTEMPLATED BY THE LOAN DOCUMENTS AND EVIDENCED HEREBY, BORROWER AND LENDER HEREBY WAIVE ANY RIGHT TO A TRIAL BY JURY OF ANY OR ALL ISSUES ARISING IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BETWEEN BORROWER AND LENDER OR THEIR RESPECTIVE SUCCESSORS OR ASSIGNS IN RESPECT OF ANY MATTER ARISING OUT OF, UNDER OR CONNECTED IN ANY MANNER WHATSOEVER WITH THIS NOTE OR THE OTHER LOAN DOCUMENTS.

THIS NOTE, AND ITS VALIDITY, ENFORCEMENT AND INTERPRETATION, SHALL BE GOVERNED BY NEW YORK LAW (WITHOUT REGARD TO ANY CONFLICT OF LAWS PRINCIPLES) AND APPLICABLE UNITED STATES FEDERAL LAW. THE PARTIES AGREE THAT THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN ANY ISSUE RELATING TO THIS NOTE, ANY OF THE OTHER RELATED DOCUMENTS AND THE TRANSACTIONS TO WHICH THIS NOTE RELATES, INCLUDING THE VALIDITY OR ENFORCEABILITY OF THIS NOTE AND ANY OTHER AGREEMENT RELATING TO THE TRANSACTION OR A PROVISION OF THIS NOTE OR ANY OTHER RELATED AGREEMENT. THE PARTIES ACKNOWLEDGE AND AGREE THAT THE TRANSACTIONS TO WHICH THIS NOTE RELATES BEAR A REASONABLE RELATION TO THE STATE OF NEW YORK, AND THAT THE LAWS, OTHER THAN CONFLICT OF LAWS RULES, OF NEW YORK SHALL GOVERN ANY ISSUE REGARDLESS OF WHETHER THE APPLICATION OF THAT LAW IS CONTRARY TO A FUNDAMENTAL OR PUBLIC POLICY OF THE STATE OF TEXAS OR OF ANY OTHER JURISDICTION.

THIS NOTE AND THE OTHER WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL

AGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE LOAN AND MAY NOT BE

CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS

OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES

WITH RESPECT TO THE LOAN.

IN WITNESS WHEREOF, Borrower has duly executed this Note as of the date first above written.

PHYSICIANS RESOURCE GROUP, INC.,
a Delaware corporation

By:

Name (print) : _____

Title: _____

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT (this "Pledge Agreement") is made and

executed as of the 19th day of March, 1999, by and between PHYSICIANS RESOURCE
GROUP, INC., a Delaware corporation ("Borrower"), and those Subsidiaries of

Borrower now or at any future time executing this Agreement on the signature
pages hereof or on any amendments or supplements hereto as listed on Schedule A

hereto, as Schedule A may be amended or supplemented from time to time

("Subsidiary Pledgors") (Borrower and the Subsidiary Pledgors being sometimes

referred to herein individually as a "Pledgor" and collectively as "Pledgors"),

in favor of M.D. SASS CORPORATE RESURGENCE PARTNERS, L.P. ("Lender").

WHEREAS:

A. Pursuant to that certain Promissory Note (the "Note") of even date

herewith in the original principal amount of \$3,750,000.00, executed by Borrower
and payable to Lender, Lender has made a loan (the "Loan") to Borrower upon the

terms and conditions set forth therein; and

B. In consideration for the Loan, and in order to provide collateral
security for the payment thereof, Lender has requested, and it is a condition of
the Loan, that Pledgors enter into this Pledge Agreement pursuant to which each
Pledgor will pledge the outstanding capital stock and other equity interests now
or hereafter owned by it; and

C. Each Pledgor has determined that valuable benefits will be derived by
it as a result of the extension of credit made to Borrower pursuant to the Loan.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of
which are hereby acknowledged and, Pledgors covenant and agree with Lender as
follows:

16. Definitions. In addition to terms expressly defined in other

provisions of this Pledge Agreement, the following terms as used herein have the following meanings:

Business Day means any day other than Saturday, Sunday or other day that

banks in New York, New York are required or authorized by law to close.

Distribution means the retirement, redemption, purchase or other

acquisition for value of any of the Pledged Shares, the declaration or payment of any dividend or other distribution on or with respect to the Pledged Shares, and any other payment made with respect to the Pledged Shares.

Event of Default means a default in payment when due of any interest or

principal on the Note, or any other amount due and payable thereunder or under this Pledge Agreement, or any other Event of Default under and as defined in the Note.

Loan Documents means this Pledge Agreement, the Note, all related financing

statements, and any and all other agreements, documents or instruments evidencing, securing or pertaining to

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the Loan, as the same may be supplemented, modified, amended, renewed, extended, rearranged, restated or replaced from time to time.

Person means an individual, a corporation, a limited liability company, a

partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

Subsidiary means, for any Person, any corporation, partnership or other

entity (a) of which more than fifty percent (50%) of the outstanding capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions (including that of a general partner) is at the time directly or indirectly owned, by or the management is otherwise controlled by such Person and any Subsidiaries of such Person and (b) the financial statements of which are consolidated with Borrower's financial statements in accordance with GAAP. The term Subsidiary shall include Subsidiaries of Subsidiaries (and so on). Unless otherwise qualified, references to "Subsidiary" or "Subsidiaries" herein shall refer to those of Borrower and its Subsidiaries.

17. Representations and Warranties.

(a) Capacity. The Pledgors are duly organized, validly existing and

in good standing under the laws of their respective states of domicile.

(b) Authorization. The execution, delivery and performance of this

Pledge Agreement and the other Loan Documents by the Pledgors has been duly
authorized by all requisite action.

(c) Binding Obligations. This Pledge Agreement is and the other Loan

Documents, when executed and delivered to Lender, will be, legal, valid and
binding upon the Pledgors, enforceable in accordance with its respective terms,
subject only to principles of equity and laws applicable to creditors generally,
including bankruptcy laws.

(d) No Conflicting Law or Agreement. The execution, delivery and

performance of this Pledge Agreement and the other Loan Documents by the
Pledgors does not constitute a breach of or default under, and will not violate
or conflict with, any provisions of the corporate charter or other constituent
documents of the Pledgors.

(e) No Consent Required. The execution, delivery, and performance of

this Pledge Agreement and the other Loan Documents by the Pledgors do not
require the consent or approval of or the giving of notice to any person except
for those consents which have been duly obtained and are in full force and
effect on the date hereof.

(f) Percentage of Ownership of Issuers and other Entities. The

Pledged Interests represent the percentage ownership interest in each of the
Companies (as hereinafter defined) as set forth in Schedule A hereto.

(g) No Other Classes of Interest. In the case of the Pledged Stock,

each Company has only one class of stock authorized, and in the case of other
Companies, the interests pledged under this Agreement represent an undivided
senior interest in the equity of the respective Company.

(h) No Options. No Company has any options, warrants or convertible

debt instruments outstanding that could require the issuance of additional stock
or additional equity interests.

(i) All Subsidiaries. Except for the entities listed on Schedule "B"

hereto (the "Excluded Subsidiary"), the entities listed on Exhibit "A" constitute all of Borrower's Subsidiaries.

18. Pledge. Upon the terms hereof, each Pledgor hereby pledges and

assigns to Lender, and grants to Lender a security interest in and to, all of the following, and all of the rights, titles and interests of such Pledgor therein (all of the following being sometimes referred to herein as the "Pledged

Interests"): (a) all of the issued and outstanding shares of capital stock or

other equity interests of any type, including without limitation partnership interests (general or limited) or limited liability company member interests, now owned or hereafter acquired by such Pledgor (collectively, the "Pledged

Shares"), including without limitation the shares and other interests described

in Exhibit A attached hereto and incorporated herein by reference for all

purposes, as Exhibit A may be amended or supplemented from time to time (each of

the entities in which a Pledgor has a stock or other ownership interest as set forth on Exhibit A being sometimes referred to herein as a "Company", and all of

them collectively as the "Companies"); provided however, that all capital stock

of, and other equity interests in, the Excluded Subsidiaries (as listed in Schedule "B" hereto) shall not be covered by this Pledge Agreement and shall be excluded from the Pledged Shares and Pledged Interests hereunder; (b) all cash, securities, dividends, and other property at any time and from time to time receivable or otherwise distributed in respect of or in exchange for any or all of the shares and interests described in clause (a) hereof and any other property substituted or exchanged therefor; and (c) any and all proceeds from or other sums arising from or by virtue of, and all dividends and distributions (cash or otherwise) payable and/or distributable with respect to, all or any of the shares and interests described in the preceding clauses (a) and (b) hereof.

19. Secured Obligation. The pledge, assignment and security interest

herein granted (the "Security Interest") shall secure the prompt and complete

payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Note and all the obligations of Borrower thereunder and of the Pledgors under this Pledge Agreement (the "Obligations").

Upon full payment and performance of the Obligations, the Security Interest shall, at the request and expense of the Pledgors, be released by Lender.

20. Representations and Warranties; Related Covenants. Pledgors

represent, warrant, covenant and agree to and with Lender that: (a) each Pledgor is the legal and beneficial owner of the Pledged Shares issued by each of the Companies designated for such Pledgor on Exhibit A; (b) all of the Pledged

Shares currently issued by each of the Companies are, and the Pledged Shares hereafter created or acquired shall be at the time of creation or acquisition of such additional shares, duly authorized and issued, fully paid and non-assessable, and all documentary, stamp or other taxes or fees owing in connection with the issuance, transfer and/or pledge thereof have been paid; (c) no dispute, right of set off, counterclaim or defense exists with respect to all or any part of the Pledged Interests; (d) the Pledged Interests are free and clear of all liens, mortgages, pledges, charges, security interests or other encumbrances, options, warrants, puts, calls and other rights of third persons, and restrictions, other than (i) the Security Interest, and (ii) restrictions on transferability imposed by applicable state and federal securities laws; (e) Pledgors have full corporate or other applicable power, right and authority to pledge the Pledged Interests for the purposes and upon the terms set out herein, and the execution, delivery and performance of this Pledge Agreement are not in contravention of any indenture, agreement or undertaking to which any Pledgor is a party or by

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which any Pledgor is bound; and (f) the original stock certificates (and the original of any certificates representing any other certificated equity interests) representing all of the Pledged Shares shall be delivered to Lender, together with a duly executed blank stock power for each certificate.

21. Covenants.

(a) Further Acts, Assurances. Pledgors covenant and agree to from

time to time promptly execute and deliver to Lender all such other assignments, certificates, supplemental writings and financing statements as Lender reasonably requests in order to evidence or perfect the Security Interest. Pledgors further agree that if any Pledgor shall at any time acquire any additional shares of the capital stock of any class of any of the Companies, or any additional interests of ownership of any kind of any Subsidiary, and whether such acquisition shall be by purchase, exchange, reclassification, dividend or otherwise, such Pledgor shall as soon as practically possible, (and without the necessity for any request or demand by Lender) deliver the certificates representing such shares or interests to Lender, in the same manner and with the same effect as described in Sections 1 through 5 hereof. Upon delivery, such

shares or evidences of ownership shall thereupon constitute Pledged Interests and shall be subject to the Security Interest herein created, for the purposes and upon the terms and conditions set forth in this Pledge Agreement, the Note

and the other Loan Documents. The Borrower shall promptly cure any defects in the creation, issuance, or delivery of the Loan Documents. The Borrower at its expense will execute (or cause to be executed) and deliver to Lender upon request all such other documents, agreements, and instruments in compliance with or for the accomplishment of the covenants and agreements applicable to Borrower in the Loan Documents, or to evidence further and to describe more fully any Pledged Interests intended as security for the Obligations or to correct any omissions in the Loan Documents, or to state more fully the Obligations and agreements set out in any of the Loan Documents, or to perfect, protect, or preserve any encumbrances created pursuant to any of the Loan Documents, or to make any recordings, to file any notices, or to obtain any consents, all as may be reasonably necessary or appropriate in connection therewith.

(b) No Transfer or Hypothecation. Subject to Section 12 hereof,

Pledgors will not, without the prior written consent of Lender, transfer, assign, dispose of any right, title or interest of Pledgors, or any of them, in the Pledged Interests, or any part thereof, or create directly or indirectly any other security interest or otherwise encumber any of the Pledged Interests, or permit any of the Pledged Interests to ever be or become subject to any warrant, put, option or other rights of third Persons or any attachment, execution, sequestration or other legal or equitable process, or any security interest or encumbrance of any kind, except the Security Interest.

(c) Enforcement. Pledgors will enforce or secure in the name of

Lender the performance of each and every obligation, term, covenant, condition and agreement relating to the Pledged Interests by any other party thereunder to be performed, and Pledgors shall appear in and defend any action or proceeding arising under, occurring out of or in any manner connected with the Pledged Interests, and upon request by Lender, Pledgors will do so in the name and on behalf of Lender, but at the expense of Pledgors, and Pledgors shall pay all costs and expenses of Lender, including, but not limited to, attorneys' fees and disbursements, in any action or proceeding in which Lender may appear.

(d) Inspection. Excluding materials subject to (x) attorney client

privilege, work product and similarly protected materials and (y) information which is subject to a confidentiality agreement with a third party that requires such third party's consent for disclosure, Pledgors shall

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allow Lender to inspect all records of Pledgors relating to the Pledged Interests, and to make and take away copies of such records during normal business hours.

(e) Changes. Pledgors shall promptly notify Lender of any material

change in any fact or circumstance warranted or represented by any Pledgor in

this Pledge Agreement or in any other writing furnished by any Pledgor to Lender in connection with the Pledged Interests or this Pledge Agreement.

(f) Claims. Pledgors shall promptly notify Lender of any claim,

action or proceeding affecting title to the Pledged Interests, or any part thereof, or the Security Interest, and at the request of Lender, appear in and defend, at Pledgors' expense, any such action or proceeding.

(g) Costs. Pledgors shall promptly pay to Lender the amount of all

reasonable costs and expenses of Lender, including but not limited to reasonable attorneys' fees, incurred by Lender in connection with this Pledge Agreement and the enforcement of the rights of Lender hereunder.

(h) Additional Ownership Interests. Each Pledgor shall receive any

additional ownership or equity interests, earned, issued or delivered as a result of ownership of the Pledge Interests in trust for Lender and shall deliver the same together with stock powers executed in blank (if applicable) immediately to Lender upon receipt. Such additional ownership or equity interests shall become part of the Pledged Interests hereunder upon issuance.

(i) No Further Encumbrances. No Grantor shall sell or transfer any

or all of the Pledged Interests or grant or suffer the attachment of any encumbrance to any or all of the Pledged Interests, except as permitted by the Loan Documents.

22. Conversions; etc. Should the Pledged Interests, or any part thereof,

ever be in any manner converted by any of the Companies into another property of the same or another type or any money or other proceeds ever be paid or delivered to Pledgors as a result of Pledgors' rights in the Pledged Interests, then in any such event (except as otherwise provided herein), all such property, money and other proceeds shall be and/or become part of the Pledged Interests, and Pledgors covenant forthwith to pay or deliver to Lender all of the same which is susceptible of delivery; and at the same time, if Lender deems it necessary and so requests, Pledgors will properly endorse or assign the same to Lender. Without limiting the generality of the foregoing, Pledgors hereby agree that the shares of capital stock of the surviving corporation in any merger or consolidation involving any of the Companies or any of the Pledged Interests shall be deemed to constitute the same property as the Pledged Interests. With respect to any such property of a kind requiring an additional security agreement, financing statement or other writing to perfect a security interest therein in favor of Lender, Pledgors will forthwith execute and deliver to Lender such documentation as Lender shall request to create and perfect the liens and security interests of Lender intended to be created herein.

23. Payments on the Pledged Interests. With respect to any instruments or

warrants that are or become part of the Pledged Interests, Lender, without notice to Pledgors, shall have the right at any time and from time to time, after the occurrence and during the continuance of an Event of Default, to notify and direct each of the Companies to thereafter make all payments on such Pledged Interests directly to Lender, regardless of whether any Pledgor was previously making collections thereon, and, with respect to such instruments or warrants that are stock certificates, shares of capital or permanent reserve fund stock or beneficial interest, or other securities, Lender shall have

authority, after the occurrence and during the continuance of an Event of Default, without further notice to Pledgors, either to have them registered in Lender's name, or in the name of Lender's nominee, or, with or without registration, to demand of each of the Companies, and to receive a receipt for, any and all distributions payable with respect thereto, regardless of the medium in which paid and whether they be ordinary or extraordinary. Each of the Companies shall be fully protected in relying on the written statement of Lender that it then holds the Security Interest which entitles it to receive such payment. The receipt of Lender for such payment shall be full acquittance therefor to each of the Companies, and Pledgors agree, at the request of Lender to execute and deliver a letter to each of the Companies acknowledging this right of Lender; provided, that the failure of any Pledgor to execute and deliver such letter shall not affect or limit the rights of Lender set forth herein.

24. Preservation of Pledged Interests. Lender shall not have any

responsibility for or obligation or duty with respect to all or any part of the Pledged Interests or any matter or proceeding arising out of or relating thereto, including, without limitation, any obligation or duty to collect any sums due in respect thereof or to protect or preserve any rights against prior parties or any other rights pertaining thereto, it being understood and agreed that Pledgors shall be responsible generally for the preservation of all rights in the Pledged Interests.

25. Collection of the Loan. Lender shall not be liable for any failure to

use due diligence in the collection of any and all amounts due and owing under the Note or any other Loan Documents, or any part thereof.

26. Rights of Parties Before and After the Occurrence of an Event of

Default.

(a) Exercising Rights Prior to an Event of Default. Unless and until an

Event of Default shall occur and be continuing,

(i) Each Pledgor shall be entitled to receive all cash dividends, inter-company distributions or advances paid to such Pledgor in respect of or attributable to the Pledged Interests owned by such Pledgor and any and all other Distributions, except as provided in the following sentence. Notwithstanding the foregoing, Lender shall be entitled to receive, whether or not an Event of Default has occurred, any and all Distributions of stock, whether as a result of a stock dividend, stock split or otherwise. All such Distributions of stock and, after and during the continuance of an Event of Default, shall if received by any Person other than Lender, be held in trust for the benefit of Lender and shall forthwith be delivered to Lender (accompanied by proper instruments of assignment and/or stock and/or bond powers executed by the applicable Pledgor in accordance with Lender's instructions) to be held subject to the terms of this Pledge Agreement. Any cash proceeds of the Pledged Interests which come into the possession of Lender may, at Lender's option, be applied in whole or in part to the Obligations (to the extent then due), be released in whole or in part to or on the written instructions the applicable Pledgor, or be retained in whole or in part by Lender as additional security for the payment and performance of the Obligations. Lender shall not be obligated to make any investment of such proceeds or shall have any liability to Pledgors for any loss which may result therefrom. All interest and other amounts earned from any investment of such proceeds may be dealt with by Lender in the same manner as other cash proceeds.

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(ii) Each Pledgor shall have the right to vote and give consents with respect to all of the Pledged Interests owned by it and to consent to, ratify, or waive notice of any and all meetings; provided that such right

shall in no case be exercised for any purpose contrary to, or in violation of, any of the terms or the provisions of this Pledge Agreement, the Note or any other Loan Document.

(b) Exercising Rights After the Occurrence of an Event of Default. Upon

the occurrence and during the continuance of an Event of Default, Lender, without the consent of Pledgors, may:

(i) At any time vote or consent in respect of any of the Pledged Interests, and authorize any Pledged Interests to be voted and such consents to be given, ratify and waive notice of any and all meetings, and take such other action as shall seem desirable to Lender, in its discretion, to protect or further the interests of Lender in respect of any of the Pledged Interests as though it were the outright owner thereof, and, each Pledgor hereby irrevocably constitutes and appoints Lender its sole proxy and attorney-in-fact, with full power of substitution to vote and act with respect to any and all Pledged Interests standing in the name of such Pledgor or with respect to which such Pledgor is entitled to vote and act. The proxy and power of attorney herein granted are coupled with interests,

are irrevocable, and shall continue throughout the term of this Pledge Agreement;

(ii) In respect of any Pledged Interests, join in and become a party to any plan of recapitalization, reorganization or readjustment (whether voluntary or involuntary) as shall seem desirable to Lender in respect of any such Pledged Interests, and deposit any such Pledged Interests under any such plan; make any exchange, substitution, cancellation or surrender of such Pledged Interests required by any such plan and take such action with respect to any such Pledged Interests as may be required by any such plan or for the accomplishment thereof; and no such disposition, exchange, substitution, cancellation or surrender shall be deemed to constitute a release of Pledged Interests from the Security Interest of this Pledge Agreement;

(iii) Receive all payments of whatever kind made upon or with respect to any Pledged Interests; and

(iv) Transfer into its name, or into the name or names of its nominee or nominees, all or any of the Pledged Shares or the Pledged Interests.

(c) Right of Sale After the Occurrence of an Event of Default. Upon the

occurrence and during the continuance of an Event of Default, Lender may sell, without recourse to judicial proceedings, by way of one or more contracts, with the right (except at private sale) to bid for and buy, free from any right of redemption, the Pledged Shares and any other of the Pledged Interests, or any part thereof, upon fifteen (15) days' notice (which notice is agreed to be reasonable notice for the purposes hereof) to Borrower and the applicable Pledgor of the time and place of sale, for cash, upon credit or for future delivery, at Lender's option in its discretion:

(i) At public sale, including a sale at any broker's board or exchange; or

(ii) At private sale in any manner which will not require the Pledged Interests, or any part thereof, to be registered in accordance with The Securities Act of 1933, as amended, or the rules and regulations promulgated thereunder, or any other law or regulation, at the

best price reasonably obtainable by Lender at any such private sale or other disposition in the manner mentioned above. Lender is also hereby authorized, but not obligated, to take such actions, give such notices, obtain such consents, and do such other things as Lender may deem required or appropriate in the event of sale or disposition of any of the Pledged Interests. Pledgors understand that Lender may in its discretion approach a restricted number of potential purchasers and that a sale under such

circumstances may yield a lower price for the Pledged Interests, or any portion thereof, than would otherwise be obtainable if the same were registered and sold in the open market. Pledgors agree (A) that in the event Lender shall so sell the Pledged Interests, or any portion thereof, at such private sale or sales, Lender shall have the right to rely upon the advice and opinion of any member firm of a national securities exchange as to the best price reasonably obtainable upon such a private sale thereof (any expense borne by Lender in obtaining such advice to be paid by Pledgors as an expense related to the exercise by Lender of its rights hereunder), and (B) that such reliance shall be conclusive evidence that Lender handled such matter in a commercially reasonable manner. Lender shall be under no obligation to take any steps to permit the Pledged Interests to be sold at a public sale or to delay a sale to permit the Companies to register the Pledged Interests for public sale under The Securities Act of 1933 or applicable state securities law.

In case of any sale by the Lender of the Pledged Interests on credit or for future delivery, the Pledged Interests sold may be retained by Lender until the selling price is paid by the purchaser, but Lender shall incur no liability in case of failure of the purchaser to take up and pay for the Pledged Interests so sold. In case of any such failure, such Pledged Interests so sold may be again similarly sold.

In connection with the sale of the Pledged Interests, Lender is authorized, but not obligated, to limit prospective purchasers to the extent deemed necessary or desirable by Lender to render such sale exempt from the registration requirements of The Securities Act of 1933, as amended, and any applicable state securities laws, and no sale so made in good faith by Lender shall be deemed not to be "commercially reasonable" because so made. If Lender determines to exercise its right to sell all or any of the Pledged Interests, and if in the opinion of a reputable law firm selected by Lender, it is necessary or advisable to have such securities registered under the provisions of such Act, or any similar law relating to the registration of securities, Pledgors agree, at their own expense, to (i) execute and deliver all such instruments and documents, and to do or cause to be done such other acts and things as may be necessary or, in the opinion of a reputable law firm selected by Lender, advisable to register such securities under the provisions of such Act or any applicable similar law relating to the registration of securities, and Pledgors will cause the registration statement relating thereto to become effective and to remain effective for such period as Lender shall request, and to make all amendments thereof and/or to the related prospectus which, in the opinion of a reputable law firm selected by Lender, are necessary or desirable, all in conformity with the requirements of such Act and the rules and regulations of the Securities and Exchange Commission applicable thereto; (ii) qualify such securities under state "blue sky" or securities laws and obtain the necessary approval of any tribunal to the sale of such securities; and (iii) indemnify and hold harmless, and to cause each of the Companies to agree to indemnify and hold harmless, Lender, any underwriters (and any Person controlling any of the foregoing), and their respective employees, officers, agents, attorneys, and accountants (collectively, the "Indemnified Parties")

from and against any loss, liability, claim, damage and expense (including without limitation, fees of counsel incurred in connection therewith) under such Act or otherwise, insofar as such loss, liability, claim, damage or expense arises out of or is based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered

under such Act or other securities laws, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, or arise out of or is based upon any omission or any alleged omission to state therein a material fact required to be stated or necessary to make the statements therein not misleading, such indemnification to remain operative regardless of any investigation made by or on behalf of any Indemnified Party.

(d) Other Rights After an Event of Default. Upon the occurrence and during -----
the continuance of an Event of Default, Lender, at its election, may exercise any and all rights available to a secured party under the Uniform Commercial Code as enacted in the State of New York or other applicable jurisdiction, as amended, in addition to any and all other rights afforded hereunder or under the Note, at law, in equity or otherwise.

(e) Application of Proceeds. Except as provided in Section 12 hereof, any -----
and all proceeds ever received by Lender from any disposition of the Pledged Interests, or any part thereof or the exercise of any other right pursuant hereto shall be applied first to any unpaid fees or expenses owing by Borrower to Lender, then to accrued, unpaid interest on the Note, and then to the principal balance of the Note.

27. Sale and Transfers. Notwithstanding anything to the contrary -----
expressed or implied herein or in the Note or any other Loan Document, Pledgors shall be entitled to sell and transfer, before or after an Event of Default, any of the Pledged Interests or any and all assets of any Pledgor or of any Company pursuant to a bona fide agreement with any third-party (including without limitation a physician practice for which Borrower or any Pledgor provides management services), and such Pledged Interests and/or assets shall upon such transfer be released from the Security Interest and any other claims or interests of Lender; provided, however, that fifty percent (50%) of the net cash -----
proceeds (to Borrower or the applicable Pledgor from such sale (after payment of customary expenses, commissions, and attorneys' fees incurred in connection therewith (and net of any notes payable by Borrower or any other Pledgor and past due management fees paid in cash)) must be paid to Lender to be applied against the principal balance of the Note. In connection with any such sale, Lender agrees to provide, at the sole cost of Borrower, such partial release instrument and/or and UCC release(s) as may be reasonably requested by Borrower

to effect or evidence such release, and to return any subject stock certificate(s) to the applicable Pledgor.

28. Notices. All notices, requests and other communications to any party

hereunder or under the Note or any other Loan Document shall be in writing (including facsimile, telecopy or similar writing), may be personally served or sent by facsimile, telecopier, mail or the express mail service of the United States Postal Service, Federal Express or other equivalent overnight or expedited delivery service, and (a) if given by personal service, facsimile. or telecopier (confirmed by telephone), it shall be deemed to have been given upon receipt; (b) if sent by facsimile or telecopier without telephone confirmation, it shall be deemed to have been given twenty-four (24) hours after being given; (c) if sent by mail, it shall be deemed to have been given upon the earlier of (i) actual receipt, or (ii) three (3) Business Days after deposit in a depository of the United States Postal Service, first class mail, postage prepaid; (d) if sent by Federal Express, the express mail service of the United States Postal Service or other equivalent overnight or expedited delivery service, it shall be deemed given upon the earlier of (i) actual receipt or (ii) twenty-four (24) hours after delivery to such overnight or expedited delivery service, delivery charges prepaid, and properly addressed to Lender or Borrower. For purposes hereof, the addresses and facsimile and telephone numbers of each party shall be as set forth on the signature pages hereof. Any party may, by proper

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written notice hereunder to the other parties, change the address to which notices shall thereafter be sent to it.

29. Right to File as Financing Statement. Lender shall have the right at

any time to execute and file this Pledge Agreement as a financing statement, but the failure of Lender to do so shall not impair the validity or enforceability of this Pledge Agreement or the Security Interest.

30. Waiver of Certain Rights. (a) To the full extent that it may

lawfully so agree Pledgors agree that Pledgors will not at any time plead, claim or take the benefit of any appraisalment, valuation, stay, extension, moratorium or redemption law now or hereafter in force in order to prevent or delay the enforcement of this Pledge Agreement, or the absolute sale of all or any part of the Pledged Interests or the possession thereof by any purchaser at any sale hereunder, and Pledgors hereby waive the benefit of all such laws to the extent Pledgors lawfully may do so. Each right, power and remedy of Lender provided for in this Pledge Agreement or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Pledge Agreement or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by Lender of any one or more of such

rights, power or remedies shall not preclude the simultaneous or later exercise by Lender of any or all such other rights, powers or remedies. No failure or delay on the part of Lender to exercise any such right, power or remedy and no notice or demand which may be given to or made upon Pledgors by Lender with respect to any such remedies shall operate as a waiver thereof, or limit or impair Lender's right to take any action or to exercise any power or remedy hereunder, under the Note or under any of the other Loan Documents, without notice or demand, or prejudice its rights as against Pledgors in any respect.

(b) Except for any notices required hereunder, or pursuant to specific provisions of the Note or any other Loan Document, each Pledgor hereby waives diligence, presentment, demand, protest and notice of any kind whatsoever in respect of the Note (including, without limitation, notice of intent to accelerate and of acceleration), as well as any requirement that Lender exhaust any right or remedy or take any action in connection with the Note or any of the other Loan Documents before exercising any right or remedy under this Pledge Agreement. The obligations of Pledgors hereunder shall not be affected or impaired by reason of the happening from time to time of any of the following, although without notice to or the consent of Pledgors:

(i) the renewal or extension of the maturity of or the acceptance of partial payments with respect to any and all amounts due and owing under the Note or any other Loan Document, or any part thereof;

(ii) the alteration in any manner of the terms of the Note or any of the other Loan Documents or any part thereof either as to the maturities thereof, rates of interest, methods of payment, parties thereto or otherwise;

(iii) the waiver by Lender of the performance or observance by any Pledgor of any of its agreements, covenants, terms or conditions contained herein or in the Note or in any of the other Loan Documents;

(iv) the voluntary or involuntary liquidation, dissolution, sale of all or substantially all of the assets, marshaling of assets and liabilities, receivership,

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conservatorship, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, winding up, or other similar proceedings affecting any Pledgor;

(v) the release by operation of law or otherwise of any of the other obligors from the performance or observance of any of the agreements, covenants, terms or conditions contained in the Note or in any of the other Loan Documents (except to the extent, if any, that the obligations of Pledgors hereunder are specifically affected pursuant to or in connection with any such release); or

(vi) the release of any security for the Notes, whether under this Pledge Agreement or any of the other Loan Documents (except to the extent, if any, that the obligations of Pledgors hereunder are specifically affected pursuant to or in connection with any such release).

31. Amendments. Subject to Section 23 hereof, this Pledge Agreement may

be amended only by an instrument in writing executed jointly by Pledgors and Lender and supplemented only by documents delivered or to be delivered in accordance with the express terms hereof.

32. Multiple Counterparts. This Pledge Agreement may be executed in any

number of identical counterparts, each of which shall be deemed an original for all purposes and all of which shall constitute, collectively, one agreement, and separate counterpart signature pages signed by any signatories hereto may be assembled together to make a fully signed agreement; but, in making proof of this agreement, it shall not be necessary to produce or account for more than one such counterpart.

33. Parties Bound; Assignment. This Pledge Agreement shall be binding on

Pledgors and Pledgors' successors and assigns and shall inure to the benefit of Lender and its successors and assigns.

34. Invalid Provisions. If any provision of this Pledge Agreement is held

to be illegal, invalid or unenforceable under present or future laws effective during the term hereof, such provision shall be fully severable, this Pledge Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, and the remaining provisions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom. Furthermore, in lieu of such illegal, invalid or unenforceable provision there shall be added automatically as a part of this Pledge Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

35. No Control by Lender. Notwithstanding anything herein to the

contrary, this Pledge Agreement, the Note and the other Loan Documents, and the transactions contemplated hereby and thereby, do not and will not constitute, create or have the effect of constituting or creating, directly or indirectly, the actual or practical ownership of any of the Companies by Lender, or control, affirmative or negative, direct or indirect, by Lender over the management or any other aspect of the day-to-day operation of the Companies, which ownership and control remains exclusively and at all times in each of the Pledgors and/or the Companies.

36. Paragraph Headings. The paragraph headings used in this Pledge

37. Consent to Jurisdiction. Each Pledgor hereby irrevocably submits to

the jurisdiction of any Federal court sitting in New York County over any action or proceeding arising out of or relating to this Pledge Agreement, the Note or any of the other Loan Documents, and each Pledgor hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such Federal court. Each Pledgor also irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to such Pledgor at the address shown on the signature page hereof. Each Pledgor agrees that a final judgment on any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

38. Agreement to Supplement. Pledgors acknowledge and agree that this

Pledge Agreement may be amended and supplemented from time to time to (a) add additional Pledgors, and (b) specifically include a description of all Pledged Interests subject hereto subsequent to the date hereof, and Lender shall be entitled to supplement Schedule A and/or Exhibit A from time to time, without

any action or joinder of the Pledgors, to reflect the addition of all such additional Pledgors and/or Pledged Interests. Lender shall have a valid first priority security interest in all additional Pledged Shares or other Pledged Interests that come into existence after the date hereof, whether or not reflected on a supplement to Schedule A and/or Exhibit A. Pledgors hereby agree

to execute, deliver to Lender and cause the filing of all stock certificates, stock powers, financing statements and other documents and to take such further action as deemed necessary in Lender's discretion with respect to each such additional Pledged Shares to ensure the rights of Lender hereunder with respect thereto.

39. Governing Law. THIS PLEDGE AGREEMENT AND THE OTHER LOAN DOCUMENTS

SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK AND THE APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. THE PARTIES AGREE THAT THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN ANY ISSUE RELATING TO THIS PLEDGE AGREEMENT ANY OF THE OTHER RELATED DOCUMENTS AND THE TRANSACTIONS TO WHICH THIS PLEDGE AGREEMENT RELATES, INCLUDING THE VALIDITY OR ENFORCEABILITY OF THIS PLEDGE AGREEMENT AND ANY OTHER AGREEMENT RELATING TO THE TRANSACTION OR A PROVISION OF THIS NOTE OR ANY OTHER RELATED AGREEMENT. THE PARTIES ACKNOWLEDGE AND AGREE THAT THE TRANSACTIONS TO WHICH THIS PLEDGE AGREEMENT RELATES BEAR A REASONABLE RELATION TO THE STATE OF NEW YORK, AND THAT THE LAWS, OTHER THAN CONFLICT OF LAWS RULES, OF NEW YORK SHALL GOVERN ANY ISSUE REGARDLESS OF WHETHER THE APPLICATION OF THAT LAW IS CONTRARY

40. Complete Agreement. THIS PLEDGE AGREEMENT AND THE NOTE REPRESENT THE -----

FINAL AGREEMENT BY AND AMONG PLEDGORS AND LENDER WITH RESPECT TO THE LOAN AND THE SUBJECT MATTER HEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF PLEDGORS AND LENDER. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN PLEDGORS AND LENDER.

EXECUTED effective as of the date first above written.

ADDRESS FOR ALL PLEDGORS: -----

c/o Physician Resource Group, Inc. 14800 Landmark Blvd., Suite 500 Dallas, Texas 75240 Attn: Lane Edenburn Telephone: (972) 892-7200 Fax: (972) 892-7299

PLEDGORS: -----

BORROWER: -----

PHYSICIAN RESOURCE GROUP, INC., a Delaware Corporation

By: -----

Name: Mike Yeary Title: President

SUBSIDIARY PLEDGORS: -----

Mike Yeary, in his capacity as Vice President of each of the following Subsidiary Pledgors:

- PRG PAYROLL, INC. PHYSICIANS RESOURCE GROUP I, LTD. PRG HOLDINGS, INC. PHYSICIANS RESOURCE GROUP INVESTMENTS, INC. PHYSICIANS RESOURCE GROUP REALTY, INC. PRG REALTY II, INC. PRG SURGERY, INC. EYECORP, INC. SOUTHERN TENNESSEE SURGERY CENTER, INC. THE EYEPA, INC. EYECARE RESOURCE, INC.

JOHNNY JUSTICE, INC.
RIVERGATE ANESTHESIA, INC.
RIVERGATE SURGICAL CENTER, INC.
AMERICAN OPHTHALMIC, INC.
AMERICAN OPHTHALMIC OF ALABAMA, INC.
AMERICAN OPHTHALMIC OF DOTHAN, INC.
AMERICAN OPHTHALMIC OF LAS VEGAS, INC.
AMERICAN OPHTHALMIC OF NEVADA, INC.
AMERICAN OPHTHALMIC OF RENO, INC.
AMERICAN OPHTHALMIC OF TEXAS, INC.
AMERICAN OPHTHALMIC OF SAN ANTONIO, INC.

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AMERICAN OPHTHALMIC OF SOUTHEAST TEXAS, INC.
AMERICAN OPHTHALMIC OF TEMPLE, INC.
AMERICAN OPHTHALMIC OF CENTRAL FLORIDA, INC.
AMERICAN OPHTHALMIC OF CORAL GABLES, INC.
AMERICAN OPHTHALMIC OF TALLAHASSEE, INC.
CENTRAL FLORIDA EYE SURGERY ASSOCIATES, INC.
FORT LAUDERDALE EYE INSTITUTE, INC.
AOI NETWORK, INC.
GLENDALE EYE INC.
AMERICAN SURGERY CENTERS OF ALABAMA, INC.
AMERICAN SURGERY CENTERS OF GLENDALE, INC.
AMERICAN SURGERY CENTERS OF SARASOTA, INC.
AMERICAN SURGERY CENTERS OF SOUTH FLORIDA, INC.
AMERICAN SURGERY CENTERS OF CORAL GABLES, INC.
AMERICAN SURGERY CENTERS OF TALLAHASSEE, LTD.
AMERICAN SURGERY CENTERS OF TALLAHASSEE, INC.
AMERICAN SURGERY CENTER OF LAS VEGAS, INC.
AMERICAN SURGERY CENTERS OF SAN ANTONIO, INC.
CENTRAL TEXAS DAY SURGERY CENTER, LTD.
AMERICAN SURGERY CENTERS OF TEMPLE, INC.
PRG ARIZONA, INC.
PRG ARIZONA II, INC.
PRG ARKANSAS, INC.
PRG CALIFORNIA, INC.
PRG CALIFORNIA I, INC.
PRG CALIFORNIA II, INC.
PRG CALIFORNIA III, INC.
PRG CALIFORNIA IV, INC.
SUPERIOR EYE CARE, INC.
PRG CALIFORNIA VI, INC.
PRG FLORIDA, INC.
G.C.R. INVESTORS
CENTRAL FLORIDA EYE ASSOCIATES

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PRG FLORIDA I, INC.
PRG FLORIDA II, INC.
PRG FLORIDA IV, INC.
PRG FLORIDA V, INC.
PRG FLORIDA VI, INC.
PRG FLORIDA VII, INC.
PRG FLORIDA VIII, INC.
PRG FLORIDA IX, INC.
PRG FLORIDA X, INC.
PRG FLORIDA XI, INC.
PRG FLORIDA XII, INC.
MELBOURNE EYE ASSOCIATES, INC.
MELBOURNE EYE ASSOCIATES OF BREVARD, INC.
PRG FLORIDA XIII, INC.
PRG FLORIDA XIV, INC.
PRG GEORGIA, INC.
PRG ILLINOIS I, INC.
PRG ILLINOIS II, INC.
PRG ILLINOIS III, INC.
PRG ILLINOIS IV, INC.
PRG KENTUCKY, INC.
PRG KENTUCKY I, INC.
PRG LOUISIANA, INC.
PRG NEVADA, INC.
PRG NEVADA I, INC.
PRG NEVADA II, INC.
PRG NEVADA III, INC.
PRG NEVADA IV, INC.
PRG NEVADA CBO V, INC.
PRG NEW JERSEY, INC.
PRG NEW JERSEY II, INC.
PRG NEW YORK, INC.
PRG NORTH CAROLINA, INC.
PRG OHIO, INC.
PRG OHIO II, INC.
PRG OHIO III, INC.
PRG OHIO, L.P.
PRG OHIO IV, INC.
PRG OHIO V, INC.
PRG OHIO VI, INC.
PRG OKLAHOMA, INC.
PRG OKLAHOMA I, INC.
PRG PENNSYLVANIA, INC.
PRG SOUTH CAROLINA, INC.
PRG TENNESSEE, INC.
PRG TENNESSEE I, INC.
PRG TENNESSEE II, INC.
PRG TENNESSEE III, INC.

SUN VALLEY ACQUISITION CORPORATION
TEXAS PRG, INC.
TEXAS PRG I, INC.
TEXAS PRG II, INC.
TEXAS PRG III, INC.
TEXAS PRG IV, INC.
TEXAS PRG V, INC.
TEXAS PRG VI, INC.
TEXAS PRG VII, INC.
TEXAS PRG VIII, INC.
TEXAS PRG IX, INC.
TEXAS PRG X, INC.
TEXAS PRG XI, INC.
TEXAS PRG XII, INC.
MT. PLEASANT SURGICAL CENTER, LTD.
TEXAS PRG XIII, INC.
TEXAS PRG XV, INC.
TEXAS PRG XVII, INC.
TEXAS PRG XVIII, INC.
TEXAS PRG XIX, INC.

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ADDRESS:

M.D. Sass Corporate
Resurgence Partners, L.P.
10 New King Street
White Plains, New York

Attn: _____
Telephone: _____
Fax: _____

LENDER:

M.D. SASS CORPORATE RESURGENCE
PARTNERS, L.P., a Delaware Limited Partnership

By: _____
Name _____
Title _____

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