PRECIS INC
Form PREM14A
November 09, 2006

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

x	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

Precis, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

o	No fee required.	
x	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.	
	(1)	Title of each class of securities to which transaction applies: Common Stock $.01 par value
	(2)	Aggregate number of securities to which transaction applies: 6,756,382
	(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): $1.80 based on November 3, 2006 closing sale price
	(4)	Proposed maximum aggregate value of transaction: $12,161,488
	(5)	Total fee paid: $1,301.28
o	Fee paid previously with preliminary materials.	
o	Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.	
	(1)	Amount Previously Paid:
	(2)	Form, Schedule or Registration Statement No.:
	(3)	Filing Party:
	(4)	Date Filed:

PRELIMINARY PROXY STATEMENT

November , 2006

PRECIS, INC.
2040 North Highway 360
Grand Prairie, Texas 75050

The Board of Directors of Precis, Inc. has approved a merger agreement that will result in Insurance Capital Management USA Inc. (ICM) becoming a wholly-owned subsidiary of Precis. Before we can complete this merger, the merger agreement must be approved by Precis shareholders. Let me tell you a few things about ICM and the merger to familiarize you with the proposed transaction.

- The combined companies will offer a full range of products, including insurance and non-insurance products and managed care services that will help Americans gain access to affordable healthcare. Also, to more properly reflect the mission of the company, we are asking our shareholders to approve the change of our name to Access Plans USA, Inc.

- You can find more information on our products and services on pages 60-63 and 70-72 and information on the name change on page 34 of the Proxy Statement.

- ICM s operations principally consist of the sale and marketing of individual health insurance products and related benefit plans, primarily through a broad network of independent agency channels.

- More information on ICM is found in the Proxy Statement, with a specific discussion on pages 56-67.

- We will not be paying any cash as consideration in the merger (other than the costs of the transaction). Instead, we will issue shares of our common stock to the shareholders of ICM, all of whom will become members of our management team. We believe that this will properly align the interests of the ICM shareholders and management team with the interests of our other shareholders in growing the combined companies and achieving profitable operations.

- The number of shares that we will issue will depend on ICM s earnings, before interest, tax, depreciation, amortization and other adjustments.

- If ICM records at least $1,250,000 of cumulative earnings over four consecutive calendar quarters ending on or before December 31, 2007, we will issue 6,756,382 shares, which is the maximum number of shares that we can issue under the merger agreement.

- For more information on how the merger consideration will be calculated and conveyed, please see pages 2-3 of the Proxy Statement.

- The operations of ICM that will be a part of the combined companies are profitable and growing. However, the results of ICM (audited results for the years 2003, 2004 and 2005 and unaudited results for the six months ended June 30, 2006) shown on pages F-2-F-24 of the proxy statement include losses attributed to a subsidiary that ICM distributed to its shareholders and that will not be a part of ICM or Precis after the merger.

- To see what the adjusted results of ICM would be without this subsidiary and other ICM activities that will not be assumed by us, please see pages F-73-F-76 of the Proxy Statement.

- For a more detailed discussion of the adjusted results, please see pages 69-71 of the Proxy Statement.

- We expect that the merger will return us to profitability and will be accretive to earnings. The unaudited *pro forma* financial statements of the combined companies on pages F-77-F-81 of the Proxy Statement show that our earnings per share for the six months ended June 30, 2006, would have increased twenty percent (20%) if we had included the adjusted operating results of ICM with ours.

- These unaudited *pro forma* results and the explanations of the adjustments are on pages F-73-F-81 of the Proxy Statement.

- After the merger, Peter W. Nauert will be our Chief Executive Officer and our largest shareholder. We believe that Mr. Nauert has the ability and experience to effectively lead the combined companies.

- More information on Mr. Nauert can be found on page 38 of the Proxy Statement.

- The proxy statement describes the potential risks and disadvantages of the merger.

- More information on the potential risks and disadvantages of the merger can be found on pages 14-16 and 20-22, respectively, of the Proxy Statement.

- Our Board of Directors, after diligent study and consideration, has determined that the merger is in our and our shareholders best interests.

- Please see pages 16-22 of the Proxy Statement for more information on how the Board of Directors considered the merger.

The Proxy Statement provides you with detailed information about the proposed merger-acquisition of Insurance Capital Management USA Inc., as well as additional information related to other matters to be considered at the Precis 2006 Annual Shareholders Meeting. We encourage you to read it all carefully and not rely on the summary information provided in this letter.

Your vote is very important. Please take the time to vote, whether or not you plan to attend the Precis 2006 Annual Shareholders Meeting. If you sign, date and mail your proxy without indicating how you want to vote, we will vote your proxy in favor of the merger-acquisition. If you do not return your proxy, or if you do not instruct your broker how to vote the shares held for you in your brokerage account, the effect will be neither a vote for nor a vote against the merger-acquisition.

The Annual Meeting of Shareholders will be held on December 29, 2006, 10:00 a.m. local time, at the Sheraton Grand Hotel at the Dallas / Fort Worth Airport, 4440 West John Carpenter Freeway, Irving, Texas 75063.

We are very enthusiastic about the acquisition of Insurance Capital Management USA Inc. and the accompanying opportunities. Our Board of Directors recommends that you vote FOR this merger-acquisition and the other items to be considered at the Annual Shareholders Meeting.

Nicholas J. Zaffiris
Chairman of the Board of Directors

Neither the Securities and Exchange Commission nor any state securities commission has approved of the securities to be issued under the Proxy Statement or determined if the Proxy Statement is accurate or adequate. Any representation to the contrary is a criminal offense.

This Proxy Statement is dated November 26, 2006 and was first mailed to Precis shareholders on or about November 27, 2006.

PRECIS, INC.

2040 North Highway 360
Grand Prairie, Texas 75050
Telephone: (866) 578-1665

NOTICE OF ANNUAL SHAREHOLDERS MEETING
To be held on December 29, 2006

TO THE SHAREHOLDERS:

Precis, Inc. will hold its 2006 annual shareholders meeting in the Renoir Room at the Sheraton Grand Hotel at Dallas / Ft. Worth Airport, 4440 West John Carpenter Freeway, Irving, Texas 75063, commencing at 10:00 a.m., local time on December 29, 2006 to vote on:

1. The Agreement and Plan of Merger, dated November 8, 2006, by and among Precis, Inc., and Insurance Capital Management USA Inc. (ICM), and the shareholders of Insurance Capital Management USA Inc., providing for the merger of Insurance Capital Management USA Inc. with and into Precis, Inc. and, effectively, the subsidiaries of Insurance Capital Management USA Inc. and its subsidiaries becoming wholly-owned by Precis;

2. The Precis, Inc. 2002 Non-Employee Stock Option Plan, as amended and restated on November 8, 2006;

3. Amendment and restatement of the Certificate of Incorporation of Precis, Inc. to change its name to Access Plans USA, Inc.;

4. The election of five directors, each to hold office until the 2007 annual meeting of shareholders or until his successor is duly elected and qualified;

5. Ratification of Hein & Associates LLP as the independent registered public accounting firm for 2006; and

6. Any other business that properly comes before the meeting or any adjournment or postponement of the Annual Meeting.

Precis shareholders at the close of business on November 20, 2006, are receiving notice and may vote at the Annual Meeting. Approval of the Agreement and Plan of Merger and the amendment of the Precis Certificate of Incorporation require the affirmative vote of at least a majority of the outstanding Precis common stock shares. Approval of the amended and restated Precis, Inc. 2002 Non-Employee Stock Option Plan requires the affirmative vote of at least a majority of the cast, abstaining and broker votes. All other matters presented at the Annual Meeting require the affirmative vote of a majority of the Precis common stock shares present in person or by proxy at the Annual Meeting.

Your Board of Directors unanimously recommends that you vote FOR approval of the matters being voted upon.

Your attendance or Proxy is important to assure a quorum at the Annual Meeting. Shareholders who do not expect to attend the Annual Meeting in person are requested to complete and return the enclosed Proxy, using the envelope provided, which requires no postage if mailed from within the United States. Any person giving a Proxy has the power to revoke it at any time prior to its exercise and, if present at the Annual Meeting, may withdraw it and vote in person. Attendance at the Annual Meeting is limited to Precis shareholders, their proxies and invited guests. All shareholders are cordially invited to attend the Annual Meeting.

BY ORDER OF THE BOARD OF DIRECTORS:
Eliseo Ruiz III
Eliseo Ruiz III, Secretary and General Counsel

Grand Prairie, Texas
November 26, 2006

PROXY STATEMENT

Precis, Inc.
2040 North Highway 360
Grand Prairie, Texas 75050
Telephone: (866) 578-1665

ANNUAL SHAREHOLDERS MEETING
TO BE HELD ON DECEMBER 29, 2006

SOLICITATION AND REVOCATION OF PROXIES

This Proxy Statement is furnished to the shareholders of Precis, Inc. in connection with the 2006 annual meeting of the holders of Precis common stock to be held on December 29, 2006, 10:00 a.m. local time at the Sheraton Grand Hotel at the Dallas / Fort Worth Airport, 4440 West John Carpenter Freeway, Irving, Texas, 75063 and any adjournment or postponement of the Annual Meeting. This Proxy Statement and the accompanying Notice of Annual Meeting of Shareholders and Proxy will be first mailed on or about November 27, 2006, to Precis shareholders of record on November 20, 2006.

If the accompanying Proxy is properly executed and returned, the shares of common stock represented by the Proxy will be voted at the Annual Meeting. If you indicate on the Proxy a choice with respect to any matter to be voted on, your shares will be voted in accordance with your choice. If no choice is indicated, your shares of common stock will be voted FOR

- approval of the Agreement and Plan of Merger, dated November 8, 2006, by and among Precis, Inc., and Insurance Capital Management USA Inc., the owner of Insuraco USA, L.L.C. and its subsidiaries, providing for the merger of Insurance Capital Management USA Inc. with and into Precis and effectively resulting in the subsidiaries of Insurance Capital Management USA Inc. becoming wholly-owned by Precis;

- approval of the Precis, Inc. 2002 Non-Employee Stock Option Plan, as amended and restated;

- approval of amendment of Precis Certificate of Incorporation to change its name to Access Plans USA, Inc.;

- the election of five directors, each to hold office until the 2007 annual meeting of shareholders or until his successor is duly elected and qualified; and

- ratification of Hein & Associates LLP as the independent registered public accounting firm for 2006.

In addition, your shares will also be considered and voted upon other business that properly comes before the Annual Meeting or any adjournment or postponement. Our Board of Directors knows of no business that will be presented for consideration at the Annual Meeting, other than matters described in this Proxy Statement. Once given, you may revoke your Proxy by

- giving written notice of revocation to our Secretary at any time before your Proxy is voted,

- executing another valid proxy bearing a later date and delivering this proxy to our Secretary prior to or at the Annual Meeting, or

- attending the Annual Meeting and voting in person.

Neither the corporate laws of Oklahoma, the state in which we are incorporated, nor our Certificate of Incorporation or Bylaws have any provisions regarding the treatment of abstentions and broker non-votes. Our policy is (i) to count abstentions or broker non-votes for purposes of determining the presence of a quorum at the Annual Meeting, (ii) to treat abstentions as votes not cast (except as specifically provided otherwise in this Proxy Statement) but to treat them as shares represented at the Annual Meeting for determining results on actions requiring a majority vote, and (iii) to consider neither abstentions nor broker non-votes in determining results of plurality votes (except as specifically provided otherwise in this Proxy Statement).

We will bear the expenses of this proxy solicitation, including the cost of preparing and mailing this Proxy Statement and accompanying Proxy. These expenses include the charges and expenses of banks, brokerage firms, and other custodians, nominees or fiduciaries for forwarding solicitation material regarding the Annual Meeting to beneficial owners of our common stock. Solicitation of Proxies may be made by mail, telephone, personal interviews or by other means by our directors or employees without additional compensation other than reimbursement for their related out-of-pocket expenses.

All information contained in this Proxy Statement with respect to Precis and its subsidiaries and Insurance Capital Management USA Inc. and its subsidiaries was furnished by Precis and Insurance Capital Management USA Inc., respectively, for inclusion in this Proxy Statement.

SHAREHOLDERS ENTITLED TO VOTE

The shareholders entitled to vote at the Annual Meeting are the holders of record, at the close of business on November 20, 2006 (the Record Date), of the 13,512,763 shares of common stock. Each holder of a share of common stock outstanding on the Record Date will be entitled to one vote for each share held on each matter presented at the Annual Meeting. Our officers and directors own of record or are deemed to beneficially own a total of 3,472,580 shares, or 26% of the issued and outstanding common stock, and intend to vote their shares in approval of the merger-acquisition of Insurance Capital Management USA Inc. and intend to vote their shares in favor of the other matters to be voted upon at the Annual Meeting. There is no cumulative voting with respect to our election of directors. The presence in person or by proxy of the holders of a majority of the shares of common stock outstanding and represented at the Annual Meeting will constitute a quorum for the transaction of business. Approval of the Agreement and Plan of Merger and the amended and restated Precis Certificate of Incorporation requires the affirmative vote of at least a majority of the outstanding Precis common stock shares. The affirmative vote of the holders of a majority of the votes cast for, against and abstaining from voting is required for approval of the Precis, Inc. 2002 Non-Employee Stock Option Plan. All other matters presented at the Annual Meeting require the affirmative vote of a majority of the Precis common stock shares present in person or by proxy at the Annual Meeting. Votes will be tabulated by an inspector of election appointed by our Board of Directors.

THIS PROXY STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION AND NEITHER THE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE FAIRNESS OR MERITS OF THESE TRANSACTIONS OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS PROXY STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

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SUMMARY

The following summary of certain information in this Proxy Statement is intended only to provide certain facts and highlights from the material contained elsewhere in this Proxy Statement. We have summarized all material matters that are presented in this Proxy Statement. Our summarization is qualified in its entirety by the more detailed information elsewhere in this Proxy Statement and the accompanying appendices, all of which are important and should be carefully reviewed. This summary does not contain all the information that may be important to you. You should carefully read this Proxy Statement in its entirety. For additional information, see Where You Can Find More Information (page 105).

We have provided this Proxy Statement to you and the other record holders of our common stock shares for our 2006 Annual Shareholders Meeting. Peter W. Nauert and the shareholders of Insurance Capital Management USA Inc. have agreed to our proposed merger-acquisition of Insurance Capital Management USA Inc. therefore, we are not soliciting the consent or proxy of Insurance Capital Management USA Inc. s shareholders. Mr. Nauert and Insurance Capital Management USA Inc. have provided the information in this Proxy Statement that relates to Insurance Capital Management USA Inc. and its subsidiaries (including, Insuraco USA, L.L.C.), and we have provided the other information contained in this Proxy Statement.

The Annual Meeting

The annual meeting of our shareholders will be held in the Renoir Room at the Sheraton Grand Hotel at Dallas/Ft. Worth Airport, 4440 West John Carpenter Freeway, Irving, Texas 75063, on December 29, 2006, commencing at 10:00 a.m., local time. Holders of record of our outstanding common stock shares at the close of business on November 20, 2006 (the record date), are entitled to notice of and to vote at our 2006 annual meeting. On the record date, there were common stock shares outstanding, each of which will be entitled to one vote on each matter to be acted upon or that may properly be brought before the annual meeting. Approval of the merger-acquisition of Insurance Capital Management USA Inc. (and its subsidiaries) and amendment of our Certificate of Incorporation requires the affirmative vote of the holders of a majority of the outstanding common stock shares entitled to vote. The affirmative vote of the holders of a majority votes cast for, against or abstaining from voting is required for approval of the Precis, Inc. 2002 Non-Employee Stock Option Plan. All other matters presented at the Annual Meeting require the affirmative vote of a majority of the shares present in person or by proxy at the Annual Meeting.

Proposal One Merger-Acquisition of Insurance Capital Management USA Inc. (Page 16)

On November 8, 2006, we entered into an Agreement and Plan of Merger with Peter W. Nauert, and the shareholders of Insurance Capital Management USA Inc., a Texas corporation (ICM). ICM is a fully integrated technology driven national health insurance marketing organization. ICM s operations principally consist of the sales and marketing of individual health insurance products and related benefit plans, primarily through a broad network of independent agency channels. These operations, which are consolidated under Insuraco USA, LLC, (Insuraco) an intermediate holding company, commenced generating revenue in 2004 and, after incurring start-up losses through 2005, are generating earnings in 2006.

A copy of the Agreement and Plan of Merger is attached to the Proxy Statement, filed November , 2006, as Appendix A. Under that agreement, subject to approval by our shareholders, we and the parties to the agreement agreed as follows.

- Effective September 29, 2006, ICM transferred its ownership of Insurance Producers Group of America Agency (IPA) to Mr. Nauert and IPA will not be acquired by us. ICM has also eliminated all other non-Insuraco activities. Accordingly, Precis will only acquire the Insuraco operations.

- The shareholders of ICM will cause ICM to merge with and into us and Insuraco and its subsidiaries will become our wholly-owned subsidiaries.

- At closing, we will issue and deliver a number of shares of our common stock to ICM s shareholders determined by a formula that multiplies Insuraco s adjusted earnings, before interest, taxes, depreciation and amortization (Adjusted EBITDA) (as further defined in the merger agreement) for the nine-month period ended September 30, 2006 times 5.4051056 shares per dollar of Adjusted EBITDA.

- We will issue and deliver, as more fully discussed in the Proxy Statement , additional shares of our common stock to ICM s shareholders provided the acquired companies Adjusted EBITDA during four consecutive calendar quarters ending on or prior to December 31, 2007 exceeds the Adjusted EBITDA for the nine-month period ended September 30, 2006.

- The maximum number of shares to be issued and delivered to the ICM shareholders is 6,756,382.

- Peter W. Nauert will become chief executive officer.

- Andrew A. Boemi will become a member of our board of directors.

ICM shareholders are not obligated to return any of the common stock shares issued and delivered to them in conjunction with the merger-acquisition of ICM, if Insuraco and its subsidiaries later achieve a lower level of Adjusted EBITDA.

To illustrate the number of common stock shares to be issued and delivered at closing of the merger the following examples are presented:

Adjusted EBITDA/Common Share Ratio

Assuming that ICM meets its target Adjusted EBITDA over four consecutive calendar quarters ending, on or before December 31, 2007of $1,250,000, we will issue a total of 6,756,382 shares of our common stock to the shareholders of ICM. This results in a ratio of 5.4050156 shares of common stock for each $1 of Adjusted EBITDA.

Closing Example:

Assume the combined operations of ICM during the 9 months ended September 30, 2006 resulted in Adjusted EBITDA of $600,000. In this case, we would be obligated to issue and to deliver to the shareholders of ICM 3,243,063 shares of our common stock. This was determined by multiplying the $600,000 (i.e. the September 30 Adjusted EBITDA) by 5.4051056 (i.e. the number of shares of our common stock per $1.00 of Adjusted EBITDA).

Contingent Example

Assume the combined operations of ICM during the 9 months ended September 30, 2006, resulted in Adjusted EBITDA of $600,000. In this case, we would be obligated to issue and to deliver to the shareholders of ICM 3,243,063 shares of our common stock at closing. This was determined by multiplying the $600,000 (i.e. the September 30 Adjusted EBITDA) by 5.4051056 (i.e. the number of shares of our common stock per $1.00 of Adjusted EBITDA).

Further assume the combined operations of ICM during the 12 months ended December 31, 2006, resulted in Adjusted EBITDA of $1,000,000. In this case, we would be obligated to issue and to deliver to the shareholders of ICM an additional 2,162,043 shares of our common stock after the closing of the quarter ended December 31, 2006. This was determined by multiplying the $1,000,000 (i.e. the December 31 Adjusted EBITDA) by 5.4051056 and subtracting from that result the number of shares previously issued and delivered to the ICM shareholders at closing (i.e. 3,243,063.)

Further assume the combined operations of ICM during the 12 months ended March 30, 2007 resulted in Adjusted EBITDA of $1,250,000 (and assuming that the above results are still true). In this case, we would be obligated to issue and to deliver to the shareholders of ICM an additional 1,351,276 shares of our common stock after the closing of the quarter ended March 30, 2006. This was determined by multiplying

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the $1,250,000 (i.e. the March 30, Adjusted EBITDA) by 5.4051056 (i.e. 6,765,382 shares) and subtracting from that the number of shares previously issued and delivered to the ICM shareholders (i.e. 3,243,063 and 2,162,043).

ICM is a privately-held company and there is no market for its common stock shares, while our common stock shares are traded on The Nasdaq Stock Market under the symbol PCIS. On June 12, 2006, the last trading day before we announced the merger-acquisition, our common stock closed at $1.35 per share. On November 8, 2006, the closing sale price of our common stock shares was $1.79.

Proposal Two Amended and Restated 2002 Non-Employee Stock Option Plan (Page 30)

On November 8, 2006, our Board of Directors adopted our amended and restated 2002 Non-Employee Stock Option Plan. Under the amended and restated Plan, we have increased the number of shares of our common stock issuable upon exercise of stock options granted under the Plan from 500,000 to 1,500,000 common stock shares and we have extended the expiration date of the plan from March 31, 2007 to March 31, 2010. The purpose of the Plan is to strengthen our ability to attract and retain well-qualified directors, consultants, insurance agents, and independent marketing representatives to furnish additional incentive to those persons responsible, in part, for our success, and thereby to enhance shareholder value.

Proposal Three Name Change Amendment to Certificate of Incorporation (Page 34)

We are proposing amendment of our Certificate of Incorporation, upon approval by the holders of a majority of our outstanding common stock shares, to change our name from Precis, Inc. to Access Plans USA, Inc. to more clearly reflect the savings programs and administrative services in the healthcare industry that we offer.

Proposal Four Election of Directors (Page 35)

The election of five directors, each to hold office until the 2007 annual meeting of shareholders and until his successor is duly elected and qualified.

Proposal Five Ratification of Independent Registered Public Accounting Firm (Page 52)

Ratification of Hein & Associates LLP as the independent registered public accounting firm for 2006. Hein & Associates LLP has been our independent registered public accounting firm since December 15, 2005.

Our Board of Directors unanimously approved and recommends to you and our other shareholders approval of each of the foregoing proposals.

THE INSURANCE CAPITAL MANAGEMENT USA INC. MERGER-ACQUISITION

Insurance Capital Management USA Inc. (ICM)
777 Main St., Suite 3100
Fort Worth, TX 76102
(817) 820-2100

ICM was formed in October 2002 and commenced operations in 2003. ICM s operations principally consist of the sale and marketing of individual health insurance products and related benefit plans, primarily through a broad network of independent agency channels. These operations, which are consolidated under Insuraco USA, LLC, an intermediate holding company, commenced generating revenue in 2004 and, after incurring start-up losses through 2005, are generating earnings in 2006.

Insuraco and its subsidiaries provide sales and marketing services to their national network of independent agency channels by:

- Leveraging their industry expertise and relationships to secure access to proprietary health insurance products.

- Utilizing web-based technology to streamline the agent appointment and sales application processes with the insurance carriers that Insuraco contracts with.

- Providing lead generation programs to the agents the leads identify individuals who are potentially seeking to purchase health insurance coverage.

- Proving competitive agent commission rates supplemented by various agent incentive programs.

- Providing product support, including agent and product training, providing a variety of marketing materials and compilation of weekly newsletters that deliver important news and updates to the agents.

ICM and Insuraco maintain their web-site information at *www.icmusa.com*

Precis, Inc. (Page)
2040 North Highway 360
Grand Prairie, TX 75050
(866) 578-1665

We provide affordable consumer-driven healthcare solutions as alternatives to traditional health insurance. Through our subsidiaries, we market non-insurance healthcare savings programs, and offer third-party claims administration, provide network management, and utilization management services for employer groups that utilize partially self-funded strategies to finance their employee benefit programs. We maintain web-site information at *www.precis-pcis.com*, and *www.accesshealthsource.com*.

Reasons for the Merger-Acquisition (Page 19)

Our Board of Directors believes the merger-acquisition of ICM and its subsidiaries will benefit our other shareholders and us for a number of reasons:

- You and our other shareholders will own an interest in a larger and more diversified company having a significantly increased potential for growth in revenue and return to profitability. Although this will place you and our other shareholders at risk with regard to the aspects of the business of ICM and its subsidiaries, the acquisition of ICM and its subsidiaries will provide other sources of revenues, channels for distribution of our products and services and potentially return us to profitability. Consequently, our success and profitability will be more diversified and less dependent upon our current operations, especially the dependence on our Care Entrée membership program.

- We anticipate that we will obtain a significantly greater rate of return on our capital resources through the use of our common stock shares to acquire ICM and its subsidiaries and their business operations.

- We believe that ICM and its established and developing marketing channels will compliment and provide broader market channels for our Care Entrée program and private-label healthcare savings programs.

- Because of the decline since 2003 in the members in our Care Entrée program and the accompanying losses from operations, we believe it is essential that additional marketing channels be established for our healthcare savings programs and we believe ICM and its subsidiaries will provide these additional marketing channels.

- ICM and its subsidiaries, through their contractual arrangements with various insurance companies, will provide a source of leading-edge insurance products that are not currently available to us and that would require devotion of a substantial portion of our financial and personnel resources, as well as time, to develop.

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- Management of ICM and its subsidiaries has proven experience in the development, marketing and distribution of insurance products and financial services that we lack and may be viewed as unique.

Our expected or anticipated effects of the merger-acquisition, of course, are forward-looking and there is no assurance that our expectations and anticipations will be realized.

Conditions That Must Be Satisfied to Complete the Merger-Acquisition (Page 28)

Completion of the merger-acquisition depends on a number of conditions being met. These conditions are contained in the Agreement and Plan of Merger. Some of these conditions are the following:

- our shareholders must approve the Agreement and Plan of Merger;

- there must be no governmental order blocking completion of the merger-acquisition and no governmental proceeding threatening to block the merger-acquisition;

- the Nasdaq Capital Markets must approve the listing of our common stock shares that will be issued in the merger-acquisition;

- the operating results of ICM and its subsidiaries for the nine months ended September 30, 2006 must achieve, on a combined basis, Adjusted EBITDA (excluding non-acquired operations and subject to certain adjustments) of $600,000; and

- Neither ICM nor Mr. Nauert knows of any reason that ICM and its subsidiaries will not substantially achieve or exceed the projected results of operations for the year ending December 31, 2006.

Unless prohibited by law, we, ICM or Mr. Nauert and the Peter W. Nauert Revocable Trust, ICM s majority shareholder, may waive any condition to the merger-acquisition (other than our shareholders approval) that has not been satisfied and complete the merger-acquisition. We cannot be certain whether or when any of these conditions will be satisfied or waived, if possible. We cannot be certain that we will complete the merger-acquisition.

Termination of the Merger-Acquisition (Page 29)

We, ICM, Mr. Nauert, and the Peter W. Nauert Revocable Trust may agree to terminate the Agreement and Plan of Merger, even if previously approved by our shareholders. Furthermore, any of those parties may terminate at any time prior to filing of certificate of merger with the Secretary of State of Delaware and Oklahoma, referred to as the effective time, for a number of reasons, including:

- if the merger-acquisition is not completed by March 30, 2007; or

- if there is a non-appealable final order, decree or ruling or other action having the effect of permanently restraining, enjoining or otherwise prohibiting the merger-acquisition; or

- if we on the one hand or ICM and Mr. Nauert on the other hand materially violates any of our or their (as the case may be) representations, warranties, covenants or obligations under the Agreement and Plan of Merger.

We on one hand, or ICM, Mr. Nauert and the Peter W. Nauert Revocable Trust on the other hand, cannot seek to terminate the Agreement and Plan of Merger if we or they, as the case may be, caused the reason for termination or material breach. In the event the merger-acquisition is not completed, we will bear our costs and expenses as well as all fees, costs and expenses of preparation and filing of this Proxy Statement, while ICM will bear its costs and expenses without reimbursement by us. In the event of the consummation of the merger, we will indirectly bear these costs as a result of our ownership of ICM.

Federal Income Tax Consequences (Page 23)

We expect that you, our other shareholders, will not recognize any gain or loss for U.S. federal income tax purposes in connection with the merger-acquisition. We will receive an opinion of our legal counsel that this is the case. However, this opinion will not be binding on the Internal Revenue Service, which could take an opposing view.

Accounting Treatment (Page 23)

For accounting purposes, ICM and its subsidiaries will be considered to have been purchased by us. On a pro forma basis, the purchase price of ICM and its subsidiaries, assuming that all contingent consideration is earned and conveyed, will be approximately $10,608,000, which, along with the $1,484,000 accumulated deficit of ICM at June 30, 2006 and estimated merger-acquisition costs of $285,000, will result in $12,377,000 being recorded as goodwill and other intangible assets. The goodwill will not be amortized, but will be subject to write-off or write-down as an impairment following periodic review (not less than annually) of the value of the goodwill. Intangible assets, if any, which may be recorded, would be amortized over their estimated life. The Company is currently in the process of determining the allocation of the purchase price for the various assets and liabilities.

Shareholders Do Not Have Appraisal Rights (Page 22)

Although we are seeking approval of the merger-acquisition of ICM and its subsidiaries, because our common stock shares are publicly traded, you and our other shareholders will not have any rights of appraisal under the Oklahoma General Corporation Act.

Management Changes After the Merger-Acquisition (Page 22)

Upon completion of the merger-acquisition, the number of directors serving on our Board of Directors will be limited to seven and Peter W. Nauert and Andrew A. Boemi will become members of our Board of Directors.

Interests of Our Executive Officers and Directors in the Merger-Acquisition (Page 23)

Our executive officers and directors do not have an interest in the merger-acquisition of ICM and its subsidiaries that is different from your and our other shareholders interests.

Our Recommendation (Page 25)

Our Board of Directors believes the merger-acquisition of ICM and its subsidiaries is fair to you and our other shareholders and in your and their best interests, as well as ours. Our Board unanimously recommends that you vote **FOR** approval of the Agreement and Plan of Merger.

Vote Required (Page 25)

To approve the merger-acquisition of ICM and its subsidiaries, a majority of our outstanding common stock shares must vote to approve the Agreement and Plan of Merger. Together, our executive officers and directors and their affiliates hold of record 26% of our outstanding common stock and each have signed an agreement committing to vote FOR approval of the merger-acquisition of ICM and its Subsidiaries.

SUMMARY HISTORICAL AND UNAUDITED PRO FORMA
COMBINED CONDENSED FINANCIAL INFORMATION

Insurance Capital Management USA Inc. and Its Subsidiaries Selected Historical Financial Information

ICM s operations comprise:

- Sale and marketing of individual health insurance products and related benefit plans, primarily through a broad network of independent agency channels. These operations, which are consolidated under Insuraco USA, LLC, an intermediate holding company, commenced generating revenue in 2004 and, after incurring start-up losses through 2005, are generating earnings in 2006.

- Sale and marketing of health insurance products through Insurance Producers Group of America Agency (IPA), a career agency channel that commenced operations in the second half of 2005 and continues to incur start-up losses. Effective September 29, 2006, ICM transferred its ownership of IPA to Peter W. Nauert and IPA and its operations will not be acquired by us.

- Costs attributable to certain parent company selling and promotions activities not directly related to Insuraco s or IPA s operations.

The majority of ICM s operating expenses are attributable to sales and marketing initiatives, many of which occur prior to the initial sale of an insurance policy. However, these related costs are expensed as incurred prior to the recognition of commission and policy fee revenue, which is generally recognized as earned on a monthly basis until such time as the underlying policy holder contract is terminated. Accordingly, through December 31, 2005, ICM incurred considerable start-up losses. Although Insuraco generated earnings during the six-month period ended June 30, 2006, these earnings were more than offset by continuing IPA start-up losses and by ICM parent company costs.

The following tables present selected historical financial data of ICM and its subsidiaries adjusted to eliminate revenues and expenses of ICM s operations that will not be acquired in the proposed transaction. The financial data presented below as of December 31, 2005 and for each of the years ended December 31, 2005, and 2004 have been derived from the unaudited pro forma condensed consolidated financial statements of ICM and its subsidiaries that are included elsewhere in this Proxy Statement. The financial data as of June 30, 2006 and for the six months ended June 30, 2006 and 2005 are unaudited and derived from the unaudited pro forma condensed consolidated financial statements of ICM and its subsidiaries that are also included elsewhere in this Proxy Statement. You should read this information together with those financial statements and their notes along with Management s Discussion and Analysis of Financial Condition and Results of Operations of ICM and its subsidiaries that are presented elsewhere in this Proxy Statement.

	For the Six Months Ended June 30,					
	2006			**2005**		
	Historical ICM	**Adjustments**	**Acquired Companies**	**Historical ICM**	**Adjustments**	**Acquired Companies**
	(dollars in thousands)					
Statement of Operations Data:						
Service revenues	$ 2,473	$ (51)	$ 2,422	$ 1,828	$	$ 1,828
Expenses:						
Sales and marketing	3,162	(1,501)	1,661	2,343	(160)	2,183
General and administrative	840	(473)	367	542	(138)	404
Total operating expenses	4,002	(1,973)	2,028	2,885	(298)	2,587
Operating (loss) income	(1,529)	1,923	394	(1,057)	298	(759)
Other income net	17	2	19	25	4	29
Net (loss) income	$ (1,512)	$ 1,925	$ 413	$ (1,032)	$ 302	$ (730)

	For the Year Ended December 31,					
	2005			**2004**		
	Historical ICM	**Adjustments**	**Acquired Companies**	**Historical ICM**	**Adjustments**	**Acquired Companies**
	(dollars in thousands)					
Service revenues	$ 4,076	$	$ 4,076	$ 1,227	$	$ 1,227
Expenses:						
Sales and marketing	5,227	(945)	4,282	4,185	(285)	3,900
General and administrative	1,303	(436)	867	664	(142)	522
Total operating expenses	6,530	(1,381)	5,149	4,849	(427)	4,422
Operating (loss) income	(2,454)	1,381	(1,073)	(3,622)	427	(3,195)
Other income (expense),net	28	21	49	(47)		(47)
Net (loss) income	$ (2,426)	$ 1,402	$ (1,024)	$ (3,669)	$ 427	$ (3,242)

	As of June 30, 2006			**As of December 31, 2005**		
	Historical ICM	**Adjustments**	**Acquired Companies**	**Historical ICM**	**Adjustments**	**Acquired Companies**
	(dollars in thousands)					
Balance Sheet Data:						
Current Assets	$ 2,785	$ (421)	$ 2,364	$ 2,169	$ (5)	$ 2,164
Working Capital Deficit	(2,301)	711	(1,590)	(1,922)	457	(1,465)
Total Assets	2,891	(421)	2,470	2,298	(5)	2,293
Current Liabilities	5,086	(1,132)	3,954	4,091	(462)	3,629
Stockholder s deficit	(2,195)	711	(1,484)	(1,793)	457	(1,336)

Precis, Inc. Selected Historical Financial Information

The following table presents our selected historical financial data. The financial data presented below as of December 31, 2005 and 2004 and for each of the five years in the period ended December 31, 2005 have been derived from our audited consolidated financial statements that are included elsewhere in this Proxy Statement and our prior annual reports on Form 10-K. The financial data presented below as of June 30, 2006 and for the six months ended on June 30, 2006 and 2005 are derived from our unaudited condensed consolidated financial statements that appear elsewhere in this Proxy Statement. You should read this information together with our financial statements and their notes and with our Management s Discussion and Analysis of Financial Condition and Results of Operations that appear elsewhere in this Proxy Statement.

	For the Year Ended December 31,				
	2005	**2004**	**2003**	**2002**	**2001**
	(dollars in thousands, except earnings per share)				
Statement of Operations Data:(1)(2)					
Product and service revenues	$ 30,143	$ 37,438	$ 40,224	$ 43,116	$ 21,056
Operating expenses					
Cost of operations	10,973	14,732	12,043	11,544	7,399
Sales and marketing	6,987	10,971	15,212	17,059	7,164
General and administrative	13,088	12,142	6,014	6,095	3,218
Amortization of goodwill(4)					579
Impairment charge for goodwill	12,900	2,000			
Total operating expenses	43,948	39,845	33,269	34,698	18,361
Operating (loss) income	(13,805)	(2,407)	6,955	8,418	2,696
Other income (expense)					
Interest income (expense), net	159	(57)	(153)	(65)	81
(Loss) earnings before income taxes	(13,646)	(2,464)	6,802	8,353	2,777
Provision for income tax expense (benefit)	41	(650)	2,524	2,875	176
Income net (loss) earnings from continuing operations	(13,687)	(1,814)	4,278	5,478	2,601
Gain on sale of operations, net of taxes	300				
(Loss) earnings from discontinued operations	16	(142)	(189)		
Net (loss) earnings	(13,371)	(1,956)	4,089	5,478	2,601
Preferred stock dividend				14	236
Net (loss) earnings applicable to common stockholders	$ (13,371)	$ (1,956)	$ 4,089	$ 5,464	$ 2,365
Earnings (loss) per share:(3)					
Basic					
From continuing operations	$ (1.10)	$ (0.15)	$ 0.36	$ 0.46	$ 0.30
From discontinued operations	$ 0.02	$ (0.01)	$ (0.01)	$	$
Diluted					
From continuing operations	$ (1.10)	$ (0.15)	$ 0.35	$ 0.46	$ 0.29
From discontinued operations	$ 0.02	$ (0.01)	$ (0.01)	$	$
Weighted average number of common shares outstanding:(3)					
Basic	12,432,591	11,921,946	11,848,789	11,790,650	8,000,042
Diluted	12,432,591	11,921,946	11,924,214	11,996,222	8,051,607
Cash Flows Data:					
Net cash provided by operating activities	$ 989	$ 1,759	$ 7,819	$ 3,989	$ 3,079
Net cash used in investing activities	$ (2,047)	$ (2,595)	$ (945)	$ (920)	$ (1,703)
Net cash used in financing activities	$ (964)	$ (1,969)	$ (1,397)	$ (1,213)	$ (2,163)

	For the Six Months Ended June 30, 2006 (dollars in thousands)	2005
Statement of Operations Data:(1)(2)		
Product and service revenues	$ 11,771	$ 16,266
Operating expenses		
Cost of operations	5,237	5,933
Sales and marketing	3,114	3,935
General and administrative	3,478	7,504
Impairment charge for goodwill		9,900
Total operating expenses	11,829	27,272
Operating loss	(58)	(11,006)
Other income		
Interest income, net	164	39
Earnings (loss) before income taxes	106	(10,967)
Provision for income tax benefit	(465)	(63)
Income net earnings (loss) from continuing operations	571	(10,904)
(Loss) earnings from discontinued operations	(789)	27
Net loss	$ (218)	$ (10,877)
Earnings (loss) per share:(3)		
Basic		
From continuing operations	$ 0.04	$ (0.90)
From discontinued operations	$ (0.06)	$ 0.00
Diluted		
From continuing operations	$ 0.04	$ (0.90)
From discontinued operations	$ (0.06)	$ 0.00
Weighted average number of common shares outstanding:(3)		
Basic	13,459,927	12,081,438
Diluted	13,459,927	12,081,438
Cash Flows Data:		
Net cash provided by operating activities	$ 1,872	$ 1,029
Net cash used in investing activities	$ (962)	$ (725)
Net cash used in financing activities	$ (136)	$ (809)

	June 30, 2006	December 31, 2005 (dollars in thousands)	2004
Balance Sheet Data:			
Cash and cash equivalents	$ 5,865	$ 6,261	$ 8,283
Current assets	12,412	14,954	15,218
Working capital	5,205	4,692	6,345
Total assets	28,058	30,864	41,320
Current liabilities	7,207	10,262	8,873
Total liabilities	7,347	10,500	8,951
Stockholders equity	20,711	20,364	32,369

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(1) On June 18, 2004, we completed our acquisition of Access HealthSource, Inc. (Access) for $3,666,000, consisting of 488,486 common stock shares valued at $1,400,000 ($2.87 per share), and $2,000,000 in cash and acquisition cost of investment banking, valuation and legal and accounting fees of $266,000. In addition, we agreed to make additional purchase price payments and share deliveries based upon the earnings before interest, taxes, depreciation and amortization (*i.e.,* EBITDA) of Access through December 31, 2006. The maximum purchase price payments and share deliveries and investment banking, valuation and legal and accounting fees, is $9,774,000. The amount of contingency payments and share deliveries are based upon a 3.22 multiple of EBITDA of Access determined on a quarterly basis, with effective correcting adjustments as of December 31, 2004, 2005 and 2006. Through June 30, 2006, we have made quarterly cash payments totaling $2,232,000 and issued and delivered 1,656,997 common stock shares valued at $2,232,000. The number of shares issued was based upon the average trading price for the last 10 days of each calendar quarter. The cumulative purchase price, including contingent payments made or earned through June 30, 2006, is $8,130,000. Although we were not required to make any additional payments and share deliveries through June 30, 2006, Access may achieve additional EBITDA levels that require additional purchase price payments and share deliveries that are not currently determinable. Any additional purchase price payments and share deliveries will be accounted for as a decrease in our cash and cash equivalents for the amount paid, an increase to stockholders equity for the fair value of shares issued and a corresponding increase in goodwill for any payments and common stock share deliveries.

(2) Certain reclassifications have been made to prior period financial information to conform to the current presentation of the financial information.

(3) For the six months ended June 30, 2006 and the year ended December 31, 2005 and 2004, 18,538 shares, 25,375 shares and 54,863 shares, respectively, related to outstanding stock options were not included in the calculation of fully diluted earnings per share because the inclusion would have been anti-dilutive.

(4) The amortization of goodwill ceased in 2001 pursuant to a new accounting pronouncement.

Summary Unaudited Pro Forma Combined Financial Information

The following tables present selected historical information for us and ICM and selected pro forma combined financial information assuming that the merger of ICM and its subsidiaries occurred on the date of the balance sheet and at the beginning of each period for which results of operations are presented. The information presented below is derived from, and should be read in conjunction with, our financial statements and the financial statements of ICM and its subsidiaries, our unaudited pro forma combined financial information and other information related to ICM and its subsidiaries and us, all presented elsewhere in this Proxy Statement. The pro forma information is presented for illustrative purposes only, is not necessarily indicative of the results of operations or financial position that would have been achieved if the transactions included in the pro forma adjustments had been consummated in accordance with the assumptions set forth in the notes to our unaudited pro forma combined financial statements, and is not necessarily indicative of our future operating results or financial position. However, the pro forma earnings per share amounts as compared to those originally reported, would have been accretive to our earnings in 2006.

	Pro Forma Combined Year Ended December 31, 2005	Six Months Ended June 30, 2006
	(dollars in thousands, except earnings per share)	
Statement of Operations Data:(1)		
Product and service revenues	$ 34,219	$ 14,194
Operating expenses		
Cost of operations	10,973	5,237
Sales and marketing	11,269	4,776
General and administrative	13,955	3,845
Impairment charge for goodwill	12,900	
Total operating expenses	49,097	13,858
Operating income (loss)	(14,878)	336
Interest net (expense),	(208)	183
(Loss) earnings before income taxes	(14,670)	519
Provision for income tax expense (benefit)	(41)	(310)
Income net (loss) earnings from continuing operations	$ (14,711)	$ 829
Earnings (loss) per share:		
As originally reported		
Basic	$ (1.10)	$ 0.04
Diluted	$ (1.10)	$ 0.04
Pro Forma		
Basic	$ (0.94)	$ 0.05
Diluted	$ (0.94)	$ 0.05
Weighted average number of common shares outstanding:		
Basic	15,675,654	16,702,990
Diluted	15,675,654	16,721,529

	June 30, 2006 (dollars in thousands)
Balance Sheet Data:	
Cash and cash equivalents	$ 5,881
Current assets	14,776
Working capital	3,330
Total assets (2)	37,389
Current liabilities	11,446
Total liabilities	11,586

Unaudited Pro Forma Comparative Per Share Information

	For the Year Ended December 31, 2005	For the Six Months Ended June 30, 2006
Earnings (loss) per common share from continuing operations		
Precis, Inc.:		
Historical	$ (1.10)	$ 0.04
Pro forma combined for the merger(1)	$ (0.94)	$ 0.05
Insurance Capital Management USA Inc.:		
Pro forma equivalent for the merger of ICM(3)	$ (0.32)	$ 0.13
Dividends per common share		
Precis, Inc.		
Insurance Capital Management USA Inc.		
Stockholders equity per outstanding common share (end of period)		
Precis, Inc.:		
Historical	$ 1.54	$ 1.53
Pro forma combined for the merger	$ 1.55	$ 1.54
Insurance Capital Management USA Inc.:		
Pro forma equivalent for the merger(3)	$ (0.41)	$ (0.46)
Net tangible book value (deficit) per common share (end of period)(3)		
Precis, Inc.:		
Historical	$ 0.44	$ 0.45
Pro forma combined for the merger	$ 0.25	$ 0.26
Insurance Capital Management USA Inc.:		
Pro forma equivalent for the merger-acquisition(3)	$ (0.41)	$ (0.46)
Pro forma combined for the merger-acquisition dilution or accretion		
Stockholders equity (end of period) accretion per common share	N/A	$ 0.01
Net tangible book value (end of period) dilution per common share(4)	N/A	$ (0.19)

1) The unaudited statement of operations and comparative per share information are presented for informational purposes only and do not give effect to any synergies that may occur due to the combining of ICM s and our operations. We expect to incur legal, accounting, proxy printing and distribution expenses of approximately $285,000 in connection with the merger-acquisition. These charges are included in the unaudited balance sheet but are not reflected in the unaudited pro forma combined statements of operations.

2) Total assets include $6,861,000 of intangible assets related to the merger-acquisition. This represents the purchase price of $5,092,000 (which assumes ICM meets minimum Adjusted EBITDA of $600,000), the accumulated deficit of ICM of $1,484,000 at June 30, 2006 and the estimated acquisition costs of $285,000.

3) The ICM per share pro forma equivalent for the merger is calculated by dividing the results for ICM activities which are included in the acquired business, by the common stock shares assumed to be issued to ICM s shareholders at closing.

4) The net tangible book value per share for the pro forma combined presentation is based upon the number of common stock shares outstanding at the end of the period, adjusted to include the shares of common stock assumed to be issued at closing. Net tangible book value per share represents the amount of our tangible net worth (total tangible assets less total liabilities) divided by the total number of common stock shares outstanding at the end of the period. Tangible assets represent total assets less goodwill and other intangibles.

RISK FACTORS

In addition to the other information in this Proxy Statement, you should carefully consider the risk factors discussed below in evaluating the merger-acquisition of Insurance Capital Management USA Inc. and its subsidiaries. Many of the factors discussed below are not within ICM s or our control. We provide no assurance that, following completion of the merger-acquisition, one or more of these factors will not adversely affect the market price of our common stock, our future operations, and our business, financial condition, or results of operations. The occurrence of these factors following completion of the merger-acquisition of ICM and its subsidiaries may ultimately require significant reduction or discontinuance of our operations, require us to seek a merger partner or require us to sell additional common stock shares on terms that are highly dilutive to you and our other shareholders.

We are providing some forward-looking information.

We have included some forward-looking statements in this section and other places in this Proxy Statement regarding our expectations after completion of our merger-acquisition of ICM and its subsidiaries. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, levels of activity, performance or achievements, or industry results, to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Some of these forward-looking statements can be identified by the use of forward-looking terminology including believes, expects, may, will, should or anticipates or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategies th involve risks and uncertainties. You should read statements that contain these words carefully because they:

- discuss our future expectations;
- contain pro forma projections of our future operating results or of our future financial condition; or
- state other forward-looking information.

We believe it is important to communicate our expectations to you, but events may occur in the future over which we have no control and which we are not accurately able to predict.

We may find it difficult to integrate ICM s business and operations with our business and operations.

Although we believe that ICM s marketing and distribution of insurance products and financial services will complement and fit well with our business and the need for marketing of our healthcare savings programs and third-party claims administration services, ICM s business is new to us. Our unfamiliarity with this business may make it more difficult to integrate ICM s operations with ours. We will not achieve the anticipated benefits of the merger-acquisition unless we successfully integrate the operations of ICM and its subsidiaries. There can be no assurance that this will occur.

The availability of ICM s insurance products and financial services are dependent on ICM s strategic relationships with various insurance companies and the unavailability of those products and services for any reason may result in significant loss of revenues.

ICM and its subsidiaries are not insurance companies and only market and distribute insurance products and financial services developed and offered by insurance companies. As part of their business operations, ICM and its subsidiaries must develop relationships with insurance companies that provide products and services for a particular market segment (the elderly, the young family, etc.) that ICM and its subsidiaries in turn make available to the independent agents with whom they have contracted to sell the products and services to the individual consumer. Of the eight insurance companies with whom ICM and its subsidiaries currently have strategic relationships, a substantial portion of the revenue of ICM and its subsidiaries (more than 95% during both 2005 and the six months ended June 30, 2006) was attributable to the insurance products and financial services offered by five of the companies. Thus, ICM and its subsidiaries are dependent on a relatively small number of insurance companies to provide product and financial services for sale through ICM s distribution channels.

Development and maintenance of relationships with the insurance companies may in part be based on professional relationships and the reputation of the management and marketing personnel of ICM and its subsidiaries. Consequently, the relationships with insurance companies may be adversely affected by events beyond the control of management of ICM and its subsidiaries, including departures of key personnel and alterations in professional relationships. ICM s success and growth depend in large part upon ICM s ability to establish and maintain these strategic relationships, contractual or otherwise, with various insurance companies to provide their products and services, including those insurance products and financial services that may be developed in the future. The loss or termination of these strategic relationships could adversely affect revenues and the operating results of ICM and its subsidiaries, Furthermore, the loss or termination may also impair the ability of ICM and its subsidiaries to maintain and attract new insurance agencies and their agents to distribute the insurance products and services offered by ICM and its subsidiaries.

ICM and its subsidiaries are dependent upon independent insurance agencies and their agents to offer and sell the insurance products and financial services marketed and distributed by ICM and its subsidiaries.

ICM and its subsidiaries are principally dependent upon independent insurance agencies and their agents to offer and sell the insurance products and financial services offered and distributed by ICM and its subsidiaries. These insurance agencies and their agents may offer and distribute insurance products and financial services that are competitive with those of ICM and its subsidiaries. These independent agencies and their agents may give higher priority and greater incentives (financial or otherwise) to other insurance products or financial services, reducing their efforts devoted to marketing and distribution of the insurance products and financial services offered and distributed by ICM and its subsidiaries. Also, the ability of ICM and its subsidiaries to attract and retain independent insurance agencies could be negatively affected by adverse publicity relating to the products and services or the operations of ICM and its subsidiaries.

Furthermore, of the 5,000 independent agents with whom ICM and its subsidiaries currently have active distribution and marketing relationships, a substantial portion of the revenue of ICM and its subsidiaries (80% both during 2005 and the six months ended June 30, 2006) was attributable to the product sales and financial services through approximately 1,000 independent insurance agents. These agents report through approximately 20 independent general agencies that ICM has contracted with. Thus, a small number of independent insurance agencies are responsible for a very significant percentage of total insurance products and financial services revenue of ICM and its subsidiaries.

Development and maintenance of the relationships with independent insurance agencies and their agents may in part be based on professional relationships and the reputation of the management and marketing personnel of ICM and its subsidiaries. Consequently, these relationships may be adversely affected by events beyond the control of management of ICM and its subsidiaries, including departures of key personnel and alterations in professional relationships. The loss of a significant number of the independent insurance agencies (and their agents), as well as the loss of a key agency or its agents, for any reason, could adversely affect the revenue and operating results of ICM and its subsidiaries, or could impair the ability of ICM and its subsidiaries to establish new relationships or continue strategic relationships with independent insurance agencies and their agents.

ICM and its subsidiaries face intense competition in the market place for their products and services as well as competition for insurance agencies and their agents for the marketing of the products and services offered.

Instead of utilizing captive or wholly-owned insurance agencies, for the offer and sale of its products and services, ICM and its subsidiaries utilize independent insurance agencies and their agents as the principal marketing and distribution channel. Competition for independent insurance agencies and their agents is intense. Also, competition from products and services similar to or directly in competition with the products and services offered by ICM and its subsidiaries is intense, including those products and services offered and sold through channels of distribution. Under arrangements with the independent insurance agencies, the agencies and their agents may offer and sell a variety of insurance products and financial services, including those that compete with the insurance products and financial services offered by ICM and its subsidiaries.

Thus, the business operations of ICM and its subsidiaries compete in two channels of competition. First, ICM and its subsidiaries compete based upon the insurance products and financial services offered. This competition includes products and services of insurance companies that compete with the products and services of the insurance companies that are offered and sold by ICM and its subsidiaries. Second, ICM and its subsidiaries compete with all types of marketing and distribution companies throughout the U.S. for independent insurance agencies and their agents. Many of the competitors of ICM and its subsidiaries have substantially larger bases of insurance companies providing products and services, and established relationships with independent insurance agencies and agents for the sale and distribution of products and services, as well as greater financial and other resources.

There is no assurance that the competitors of ICM and its subsidiaries will not provide insurance products and financial services comparable or superior to those products and services offered by ICM and its subsidiaries at lower costs or prices, greater sales incentives (financial or otherwise) or adapt more quickly to evolving insurance industry trends or changing industry requirements. Increased competition may result in reduced margins on product sales and services, less than anticipated sales or reduced sales, and loss of market share, any of which could materially adversely affect the business and results of operations of ICM and its subsidiaries (as well as ours following completion of the merger-acquisition). There can be no assurance that ICM and its subsidiaries (and following completion of the merger-acquisition that we) will be able to compete effectively against current and future competitors.

ICM and its subsidiaries are highly dependent on Peter W. Nauert and the loss of his services will have a substantial adverse effect on ICM as well as us following completion of the merger-acquisition.

ICM and its subsidiaries are and we will be highly dependent upon Peter W. Nauert following completion of the merger-acquisition of ICM and its subsidiaries. Mr. Nauert s management skills, reputation and contacts within the insurance industry, including insurance companies and insurance agencies and their agents, are key elements of our merger-acquisition of ICM. The loss of the services of Mr. Nauert would adversely affect the anticipated growth and success we expect to obtain following completion of the merger-acquisition.

PROPOSAL ONE

THE MERGER-ACQUISITION OF
INSURANCE CAPITAL MANAGEMENT USA INC. AND ITS SUBSIDIARIES

Background of the Merger-Acquisition

In the fall of 2005, Peter W. Nauert, President and founder of ICM, contacted Russell Cleveland, one of our Directors, regarding the establishment of a strategic business relationship with or the merger-acquisition by us of certain of ICM s operations (later separated into a newly organized intermediate subsidiary, Insuraco USA, L.L.C. (Insuraco)). Mr. Cleveland was familiar with the business accomplishments of Mr. Nauert within the insurance industry. The two companies then began to consider joint efforts to develop and market specialty healthcare savings products. After further preliminary discussions with Mr. Nauert and Robert L. Bintliff, our Executive Vice President and Chief Financial Officer, on April 26, 2006, Mr. Cleveland first presented to our Board of Directors in executive session the possible interest of Mr. Nauert and ICM in further discussions of the possible merger-acquisition of Insuraco by us. In addition to the Directors attending the executive session, Michael E. Dunn, our outside independent counsel, was in attendance. The Board of Directors in executive session concluded it would be in the best interest of our shareholders to enter into discussions with Mr. Nauert and ICM regarding the establishment of a strategic business relationship or the merger-acquisition of Insuraco. Mr. Cleveland was chosen to lead the negotiations and due diligence team and Eliseo Ruiz III, our Executive Vice President and General Counsel and Secretary, and Robert L. Bintliff, our Executive Vice President and Chief Financial Officer, were directed to assist Mr. Cleveland and outline to the Board the calendar schedule for any proposed acquisition transaction and develop a due diligence checklist.

A special meeting of the Board of Directors was held on June 8, 2006 for the purpose of further consideration of the possible merger-acquisition of Insuraco, ICM and its subsidiaries. At the meeting, all of our Directors (Nicholas J. Zaffiris, Eugene E. Becker, Mr. Russell Cleveland, Kent H. Webb, Kenneth S. George and J. French Hill) were in attendance, in person and by teleconference, as well as our executive officers (Frank B. Apodaca, Robert L. Bintliff, Eliseo Ruiz III), outside independent legal counsel (Michael E. Dunn). Mr. Nauert and Carl Fisher, both executive officers of ICM, attended the meeting by invitation.

At the June 8, 2006 meeting, Mr. Cleveland presented an update on discussions with ICM regarding the possible acquisition of Insuraco. The meeting briefing materials reviewed by the Board of Directors prior to the meeting included a draft of the letter of intent, background information on Mr. Nauert, summary information on the operating activities and financial position of ICM and Insuraco, and reports by management of the financial structure of the proposed transaction (the Briefing Materials). Mr. Nauert presented his vision for the combination of Insuraco with us. His presentation included a detailed review of his perspective of the combined strength of the companies, the core strategies and business model of ICM and Insuraco, the resulting growth opportunities and his expertise in managing and growing public companies. After a detailed question and answer session, Messrs. Nauert and Fisher excused themselves from the meeting.

Mr. Cleveland and Mr. Bintliff presented and discussed in detail the Briefing Materials. These materials described the business operations of Insuraco and its subsidiaries, including gross revenues, growth rate, annualized premiums, number of insurance agents offering the products and services of Insuraco and its subsidiaries, management s leadership and marketing expertise and the proven track record of Mr. Nauert, cost savings of the combination, the insurance companies or carriers that Insuraco and its subsidiaries represent and the possible benefits to our shareholders and us. Although Mr. Cleveland and Mr. Bintliff had previously examined various financial schedules provided by Insuraco and its subsidiaries, they recommended completion of additional due diligence before presenting financial and operating information to our Board.

Messrs. Cleveland, Bintliff and Ruiz then presented a detailed review of the terms and conditions of the proposed acquisition of Insuraco and its subsidiaries as agreed to with Mr. Nauert and ICM. After detailed consideration of the terms and conditions by the Board, Mr. Zaffiris was authorized to execute a non-binding letter of intent substantially in the form included in meeting briefing materials and to issue a press release announcing the signing of the letter of intent and make the required filing with the United States Securities and Exchange Commission. The Board determined that it was in the best interests of our shareholders that they be made aware of the proposed transaction and that, by announcing the transaction publicly, the integration of the management teams and the combined strategy could begin as soon as reasonably possible. In considering the content of the letter of intent, the Board decided that the terms and conditions of the merger-acquisition of Insuraco and its subsidiaries should not be disclosed in the press release because all of the terms and conditions of the merger-acquisition were subject to the results of the audit of ICM and additional due diligence. Accordingly, the terms, while agreed to by the parties, were only preliminary. Thereafter, the Board met in executive session with Mr. Nauert without any further action by the Board.

On June 13, 2006, we issued the press release announcing signing of the non-binding letter of intent.

As the due diligence progressed, based upon the advise of legal and tax counsel, it was concluded that the receipt of our common stock shares by Insuraco under the proposed structure of the merger-acquisition of the ICM and its subsidiaries might be taxable to Insuraco s principal shareholder for federal income tax purposes. During a conference call on August 4, 2006, our legal and tax advisors and those of ICM and Mr. Nauert concluded that in lieu of a merger of Insuraco with our wholly-owned acquisition subsidiary, it would be preferable for tax purposes for ICM to merge with and into us in accordance with the statutory laws of Oklahoma and Delaware, our and ICM s respective states of organization. The subsidiary of ICM that is not included in the operations of Insuraco (i.e., IPA) will be spun-out of ICM prior to the merger. On September 29, 2006, IPA was distributed to Mr. Nauert, the sole shareholder of ICM at that time.

On July 19, 2006, Hein & Associates LLP was engaged to audit ICM and its subsidiaries for 2005 and 2004. Hein & Associates LLP commenced the audit of ICM and its subsidiaries for 2005 and 2004 in July 2006 and delivered its report on the audited statement on November 2006.

On October 6, 2006, we retained the services of an independent financial advisor to provide a valuation of ICM and its subsidiaries, excluding IPA. A draft of key valuation schedules from the valuation firm was delivered on October 23, 2006 and presented to our Board on October 25, 2006. Subsequently, a complete draft valuation report was delivered on November 6, 2006 and presented to the Board on November 8, 2006.

A meeting of the Board of Directors was held on October 25, 2006 for the purpose of further consideration of the possible merger-acquisition of ICM and its subsidiaries, including Insuraco and its subsidiaries. At the meeting, all of our Directors (Nicholas J. Zaffiris, Eugene E. Becker, Russell Cleveland, Kent H. Webb, Kenneth S. George and J. French Hill) were in attendance, in person and by teleconference, as well as our executive officers (Frank B. Apodaca, Robert L. Bintliff, Eliseo Ruiz III), outside independent legal counsel, Michael E. Dunn and Mr. Nauert attended the meeting by invitation. The meeting was a regularly scheduled meeting of the Board of Directors, but the primary agenda item was consideration of our proposed merger-acquisition of ICM and certain of its subsidiaries (excluding IPA). At this meeting, the Board reviewed preliminary drafts of the proxy statement and the Agreement and Plan of Merger and other related merger documents. Messrs. Bintliff and Ruiz also presented a summary of the due diligence investigation of ICM and its subsidiaries.

A special meeting of the Board of Directors was held on November 8, 2006 for the purpose of further consideration of the possible merger-acquisition of ICM and its subsidiaries, including Insuraco and its subsidiaries. At the meeting, all of our Directors (Nicholas J. Zaffiris, Eugene E. Becker, Russell Cleveland, Kent H. Webb, Kenneth S. George and J. French Hill) were in attendance, in person and by teleconference, as well as our executive officers (Frank B. Apodaca, Robert L. Bintliff, Eliseo Ruiz III), outside independent legal counsel, Michael E. Dunn, and Mr. Nauert attended the meeting by invitation. The meeting was a special scheduled meeting of the Board of Directors, but the primary agenda item was consideration of our proposed merger-acquisition of ICM and certain of its subsidiaries (excluding IPA). Following discussion of the Agreement and Plan of Merger in the form included in the meeting briefing materials, our Board approved the Agreement and Plan of Merger. On November 8, 2006, we and ICM, Mr. Nauert and the ICM shareholders executed the Agreement and Plan of Merger. On November 9, 2006, we issued a press release announcing execution of the Agreement and Plan of Merger.

The terms of the merger-acquisition of ICM and its subsidiaries, including the merger consideration, were negotiated between Messrs. Cleveland, Bintliff and Ruiz on our behalf and Mr. Nauert and Ian R. Stuart in their capacities as the Chief Executive Officer and President, and Chief Financial Officer, respectively, of ICM. The merger consideration was determined based on the current and anticipated adjusted earnings before interest, taxes, depreciation and amortization (*i.e.,* Adjusted EBITDA) of ICM and the potential efficiencies to be gained from the merger combination with us. The formula for issuance of contingent common stock shares was developed to provide additional merger consideration to ICM s shareholders based upon the anticipated growth of the Insuraco business and achievement of results of operations. The issuance of additional common stock shares was made contingent upon future earnings (*i.e.,* Adjusted EBITDA) to ensure that increased shareholder value would be obtained for issuance of the

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additional common stock shares. We did not negotiate any alternative merger consideration or structures for the merger-acquisition of ICM and its subsidiaries, except for federal income tax purposes as described above.

The valuation attributed to ICM and its subsidiaries by our Board of Directors was comprised of two components as follows:

- the first component related to the revenue and operating income of ICM and its subsidiaries; and
- the second component related to the management, personnel force and operational infrastructure in place at ICM and its subsidiaries, including its established marketing and distribution channels.

Our Board also relied upon the valuation report of an independent financial advisor in determining the reasonable value ICM and its subsidiaries compared to the value of our common stock shares to be issued and delivered to the ICM shareholders.

In arriving at this conclusion, members of our the Board of Directors reviewed audited and unaudited financial and other information furnished by ICM and Mr. Nauert, including financial projections, financial information and other information of ICM. It was represented that the financial projections received had been reasonably prepared on a basis reflecting the best currently available estimates and judgments of Mr. Nauert and members of ICM s management as to the future operation and financial performance of ICM and its subsidiaries. In addition, our executive officers and consultants compared the financial and other data of ICM and its subsidiaries with publicly held companies engaged in businesses similar to that of ICM and its subsidiaries and reported their findings to our Board. However, there were no companies or transactions analyzed that were directly comparable to us, ICM and its subsidiaries or the merger-acquisition. Accordingly, the analysis was not mathematical, but instead it involved considerations and business judgments concerning differences in the financial and operating characteristics of the companies and other factors that could affect the public trading values of the companies or company to which ICM and its subsidiaries were compared.

The terms of the merger were negotiated, with consideration of the factors mentioned above, by us with ICM and Mr. Nauert. Some of the members of our Board of Directors are not experienced in investment banking and the valuation of companies. Our Directors received and considered a valuation report prepared by, an independent financial advisor, regarding the valuation of ICM and its subsidiaries from a financial point of view. The report was prepared at our expense. Consequently, our Directors and executive officers provide no assurance that the common stock shares to be issued and delivered in connection with the merger-acquisition of ICM and its subsidiaries will have an aggregate value greater or less than the value of ICM and its subsidiaries from a financial point of view.

Reasons For and Advantages of the Merger-Acquisition

Completion of the merger-acquisition of ICM and its subsidiaries will result in you and our other shareholders owning an interest in a larger and more diversified company. Although this puts you and our other shareholders at risk with regard to the aspects of the business of ICM and its subsidiaries, their acquisition will provide other sources of revenues and distribution channels. Following completion of the merger-acquisition we anticipate that our success and profitability will be further diversified and less dependent upon our non-insurance healthcare savings programs and third-party claims administration services. The issuance of additional shares of our common stock based upon the Adjusted EBITDA of Insuraco and its subsidiaries ensures that any future share issuance will not be dilutive of shareholder value and the EBITDA may result in increased shareholder value even after the effect of the share issuances.

Our Board anticipates that we will obtain a significantly greater rate of return on our capital resources through the use our common stock shares to acquire ICM and its subsidiaries and their operations and management. Our Board believes that acquisition of ICM and its subsidiaries and their operations and management has the potential of providing immediate significant increased shareholder value.

For more than two years, we have been experiencing the decline in the membership in our Care Entrée consumer healthcare savings programs. This decline is largely due to increasing competition, regulatory scrutiny and the unwillingness of some healthcare providers to accept our savings cards based on concerns over assurance of payment. We believe that the business operations, insurance products and services, and management of ICM and its subsidiaries will add further product diversification, provide additional revenue source diversification, and provide management expertise as mentioned above that we cannot obtain without incurring substantial costs and losses within the near term.

More than 66% of our revenues (and $99,000 of our operating income) for the six months ended June 30, 2006 by Precis are currently attributable to Care Entrée consumer healthcare savings programs, the loss of which would have a material adverse effect upon the results of our operations. We anticipate that the operations of ICM and its subsidiaries will provide a profitable diversified revenue base with less dependency on Care Entrée consumer healthcare savings programs. Furthermore, we believe that the combining of our operations with those of ICM and its subsidiaries will assist in the growth of our Care Entrée and private-label consumer healthcare savings programs through utilization of the marketing distribution channels established by ICM and its subsidiaries.

As indicated by the pro forma earnings per share amounts as compared to those originally reported by Precis, the proposed acquisition would be accretive to our earnings.

Our expected or anticipated effects of the merger-acquisition, of course, are forward-looking and there is no assurance that they will be realized. You should review the Risk Factors section of this Proxy Statement and familiarize yourself with ICM and its subsidiaries by reading the information provided elsewhere in this Proxy Statement before making your decision to approve the Agreement and Plan of Merger.

Disadvantages of the Merger-Acquisition

Immediately following completion of the merger-acquisition,

- after completion of the merger-acquisition of ICM and its subsidiaries including the conveyance of contingent shares, if any, we will issue and deliver up to 6,756,382 shares of our common stock to the Peter W. Nauert Revocable Trust and the other shareholders of ICM. The Peter W. Nauert Revocable Trust and the other shareholders of ICM will own 33% of our issued and outstanding common stock shares, resulting in Mr. Nauert owning approximately 27% of our issued and outstanding common stock shares and the other shareholders of ICM owning 6% of our issued and outstanding common stock shares. You and our other shareholders will hold approximately 67% of our issued and outstanding common stock shares. This will result in further concentration of voting control in our executive officers and directors; and

- you and our other current shareholders on a per common stock share basis will incur net tangible book value dilution of $0.19 per share based upon our pro forma balance sheet at June 30, 2006.

Furthermore, in evaluating the merger-acquisition, you should consider, in addition to the disadvantages described above, the factors, consequences and possible disadvantages to you and our other shareholders of completion of the merger-acquisition as discussed below and elsewhere in this Proxy Statement. Of course, after the merger-acquisition, we will own ICM and its subsidiaries. Therefore, the various risks involved in business of ICM and its subsidiaries will be assumed by us and our shareholders. Many of these risks are not within our control or that of ICM and its subsidiaries and their management. There is no assurance that, following completion of the merger-acquisition, one or more of these risks will not materialize and adversely affect the market price of our common stock, our future operations, and our business, financial condition, or results of operations. Also, the occurrence of these risks may ultimately require significant reduction or discontinuance of our operations, require us to seek a merger partner or require us to sell additional stock on terms that are highly dilutive to our shareholders. These risks include the following:

- Although we believe that marketing and distribution business of ICM and its subsidiaries will complement and fit well with our business and the need for further marketing of our non-insurance healthcare savings programs, the business of ICM and its subsidiaries is new to us. Our unfamiliarity with this business may make it more difficult to integrate our operations with those of ICM and its subsidiaries. We will not achieve the anticipated benefits of the merger-acquisition unless we successfully integrate the operations of ICM and its subsidiaries with ours. There can be no assurance that this will occur.

- The success and continued growth of the ICM and its subsidiaries depend in large part upon their ability to attract, retain and motivate the independent insurance agencies and their agents who principally market the insurance products and financial services marketed and distributed by the ICM and its subsidiaries. The insurance agencies are not captive agencies and the loss of an independent insurance agency (and its agents) within a geographic market area or segment may not be replaced on a timely basis, if at all. Also, the ability of the ICM and its subsidiaries to attract and retain independent insurance agencies and their agents could be negatively affected by adverse publicity relating to the ICM and its subsidiaries, their products and services or their operations. Of the 5,000 independent agents, 80% of the revenue of ICM and its subsidiaries for the six months ended June 30, 2006 was attributable to the sales of approximately 1,000 independent agents. These agents report through approximately 20 independent general agencies that ICM has contracted with. Thus, a relatively small number of independent insurance agents were responsible for a significant percentage of total revenues. The loss of a significant number of these agents for any reason could adversely affect Insuraco s (as well as ours following completion of the merger-acquisition) revenues and operating results, and could impair their ability to attract new independent insurance agents.

- The independent insurance agencies and their agents utilized by ICM and its subsidiaries to offer and sell its insurance products and financial services typically offer and sell a variety of insurance products and financial services some of which may directly compete with those of ICM and its subsidiaries. These agencies and their agents may give higher priority to other insurance products or financial services, reducing their efforts devoted to marketing of the products and services of the ICM and its subsidiaries. The reduction in or discontinuance of effort devoted to marketing of the products and services offered by the ICM and its subsidiaries for any reason could adversely affect Insuraco s (as well as ours following completion of the merger-acquisition) revenues and operating results.

- As part of their business operations, ICM and its subsidiaries must develop and maintain relationships with insurance companies that offer insurance products and financial services within each product and service market in which they are offered and distributed by the independent insurance agencies and their agents. Development and maintenance of these relationships with the insurance companies is in part based on professional relationships and the reputation of the management and marketing personnel of ICM and its subsidiaries. Consequently, insurance company relationships may be adversely affected by events beyond the control of ICM and its subsidiaries, including departures of key personnel and alterations in professional relationships. The loss of an insurance carrier or company that provides specialty insurance products and financial services may not be replaced on a timely basis, if at all. This loss for any reason could have a material adverse effect on ICM and its subsidiaries (as well as ours following completion of the merger-acquisition) business, financial condition and results of operations.

- ICM and its subsidiaries offer insurance products and financial services that are similar to or directly in competition with products and services offered by insurance companies and insurance agencies (and their agents) and other marketing and distribution competitors through all available channels of distribution. Furthermore, some of the insurance companies that provide the products and services offered by ICM and its subsidiaries may offer and distribute the same or very similar insurance products and financial services, either directly or through captive and independent insurance agencies, in direct competition with ICM and its subsidiaries. The business operations of ICM and its subsidiaries compete in two channels of distribution. First, ICM and its subsidiaries compete based upon the specialty insurance products and financial services they offer. Second, ICM and its subsidiaries compete with insurance companies and independent and captive insurance agencies (and their agents) throughout the United States. Many of the competitors of ICM and its subsidiaries have substantially larger distribution networks, more established channels of distribution and greater financial and other resources.

- ICM and its subsidiaries are and we will be highly dependent upon Peter W. Nauert following completion of the merger-acquisition of ICM and its subsidiaries. Mr. Nauert is a key element of the merger-acquisition of ICM. The management skills, reputation and contacts within the insurance industry, including insurance companies and insurance agencies and their agents, are key elements of our merger-acquisition of ICM. The loss of the services of Mr. Nauert will adversely affect the anticipated growth and success we expect to obtain following completion of the merger-acquisition.

There is no assurance that ICM s competitors will not provide, offer and sell insurance products and financial services comparable or superior to those offered by ICM and its subsidiaries at lower prices or adapt more quickly to evolving insurance and financial services industry trends or changing industry requirements. Increased competition may result in price reductions, increased incentives (financial and otherwise), reduced gross margins, and loss of market share, any of which could materially adverse affect the combined business, financial condition and results of operations of ICM, its subsidiaries and us. There can be no assurance that ICM and its subsidiaries (and following completion of the merger-acquisition that we) will be able to compete effectively against current and future competitors.

Recommendation of Our Board of Directors

Our Board of Directors unanimously recommends that you vote FOR approval of the Agreement and Plan of Merger. We will vote your proxy accordingly unless you specify a contrary choice.

No Appraisal Rights

Although we are seeking approval of the merger-acquisition of ICM and its subsidiaries, this approval is not required under the Oklahoma General Corporation Act. Accordingly, you and our other shareholders do not and will not have any rights of appraisal under the Oklahoma General Corporation Act.

Management Changes

Upon completion of the merger-acquisition, the number of directors serving on our Board of Directors will be increased to seven and Peter W. Nauert and Andrew A. Boemi will become members of our Board of Directors and Mr. Nauert will become our Chief Executive Officer. Mr. Nauert is the trustee of the trust that is the majority shareholder of ICM and is the Chief Executive Officer of ICM. Mr. Boemi and Mr. Nauert are directors of ICM. Messrs. Nauert and Boemi will serve on our Board until our 2007 annual shareholders meeting and until their successors are elected or his resignation or death.

Material Interests of Management Members

As of the record date of the Annual Meeting, each of the following officers and directors owned the number and percent of our outstanding common stock shares and held stock options exercisable for the purchase of our common stock shares (Option Shares) set forth opposite their names as follows:

Name	Executive Officer Position	Number of Shares	Ownership Percent	Option Shares
Frank B. Apodaca	President and Chief Operating Officer	219,548	1.62%	150,000
Robert L. Bintliff	Executive Vice President and Chief Financial Officer	3,000	.02%	100,000
Eliseo Ruiz III	Executive Vice President and General Counsel and Secretary	2,200	.016%	100,000
Nicholas J. Zaffiris	Non-Executive Chairman of the Board of Directors	-0-	-0-	65,000
Russell Cleveland	Director	3,151,813	23.33%	-0-
Kent H. Webb	Director and Medical Director	94,019	.69%	113,000
Eugene E. Becker	Director	-0-	-0-	65,000
J. French Hill	Director	2,000	.014%	65,000
Kenneth S. George	Director	-0-	-0-	55,000

Following completion of the merger-acquisition of ICM and its subsidiaries, our executive officers and directors will retain their common stock shares and their stock options without change or modification. Our Board was fully aware of the interests of our Directors and executive officers and took their interests into account in approving the Agreement and Plan of Merger.

Accounting Treatment of the Merger-Acquisition

For accounting purposes, ICM and its subsidiaries will be considered to have been purchased by us. On a pro forma basis, assuming the maximum number of shares are issued at closing, the purchase price of ICM and its subsidiaries will be approximately $10,893,000 for accounting purposes, which along with the accumulated deficit of ICM of $1,484,000 at June 30, 2006, will result in approximately $12,377,000 recorded as goodwill and other intangible assets, if any. This pro forma purchase price is the aggregate sum of

- $10,608,000 representing the value of the maximum of 6,756,382 shares of our common stock delivered at closing of the merger-acquisition based upon the per share price of $1.57, the discounted closing sale price of our common stock on a recent closing date of October 25, 2006. The undiscounted price is within three cents of the average price since that date. The actual amounts to be recorded by us will be based upon the discounted closing sale price of our common stock on the date of the public announcement of the terms of this acquisition; and

- the costs of the merger-acquisition which are estimated to be $285,000.

The recorded goodwill will be not be amortized, but written off in the event the goodwill becomes impaired. Intangible assets, if any, would be amortized over their estimated life. The Company is currently in the process of determining the allocation of the purchase price to the various assets and liabilities.

Federal Income Tax Consequences of the Merger-Acquisition

The following discussion is a summary of the material U.S. federal income tax consequences to us and our shareholders of the merger-acquisition of ICM and its subsidiaries. This discussion is neither intended to summarize nor address the tax matters that may affect ICM and its shareholders and they are not entitled to rely on the summary contained in this Proxy Statement. The following discussion is based on the Internal Revenue Code of 1986, as amended (the Code), treasury regulations promulgated under the Code, administrative rulings and pronouncements and judicial decisions as of the date of this proxy statement, all of which are subject to change, possibly with retroactive effect.

The discussion below is for general information only and does not address the effects of any state, local or foreign tax laws as they may relate to the merger-acquisition. In addition, the discussion below assumes you hold shares of our common stock as a capital asset. However, the tax treatment may vary depending upon your particular situation. Certain taxpayers, including insurance companies, tax-exempt organizations, financial institutions and broker-dealers may be subject to special rules not discussed below.

In the opinion of our counsel, Dunn Swan & Cunningham, consummation of the merger-acquisition will constitute a reorganization within the meaning of Section 368 of the Code. This opinion will be based on facts existing at the time the merger-acquisition becomes effective and on the representations, warranties and covenants as to factual matters contained in the Agreement and Plan of Merger. The conclusions reached in the opinion could be jeopardized if the representations, warranties or covenants are incorrect in certain material respects. We are unaware of any facts or circumstances which would cause any of the representations, warranties and covenants made in the Agreement and Plan of Merger to be untrue or incorrect in any material respect. The opinion of counsel is not binding on the Internal Revenue Service or the courts.

Based on the opinions discussed above, the material U.S. federal income tax consequences that will result from the merger-acquisition are as follows:

- holders of our common stock will not recognize any income, gain or loss upon completion of this merger-acquisition and

- no income, gain or loss will be recognized by us as a result of the merger-acquisition.

The foregoing discussion is only a summary and may not be a complete analysis or listing of all potential tax effects that could be relevant to your particular tax circumstances. You are urged to consult your own tax advisor concerning the federal, state and local and any foreign tax consequences of the merger-acquisition to you.

Federal Securities Law Consequences

All shares of common stock to be received by the shareholders of ICM will not be freely transferable because each will be an affiliate (as such term is defined under the Securities Act of 1933, as amended (the Securities Act)) after the merger-acquisition and the shares will be issued pursuant to applicable registration exemptions and will not have been registered under the Securities Act. The shares received by the shareholders of ICM may be resold by them only in accordance with the volume, manner-of-sale and notice requirements of Rules 144 and 145 under the Securities Act. A person who may be deemed to be our affiliate generally includes an individual or entity that controls, is controlled by, or is under common control with, the person and may include certain officers and directors of the person as well as principal shareholders of the person.

Regulatory Approvals

There are no regulatory approvals required to be obtained by Mr. Nauert, ICM or us prior to or subsequent to consummation of the merger-acquisition. However, as a condition of the merger-acquisition the common stock shares to be issued to the ICM shareholders must be approved for listing by The Nasdaq Stock Market, Inc.

Required Affirmative Vote and Voting Agreement

The affirmative vote of at least a majority of our outstanding common stock shares is required for approval of our merger-acquisition of ICM and its subsidiaries. Abstentions and broker non-votes will not be tabulated as negative votes on this proposal, but will be included in computing the number of shares present for purposes of determining the presence of a quorum for the Annual Meeting.

As of the Record Date, Russell Cleveland, J. French Hill and Kent H. Webb, three of our Directors, own of record or are deemed to beneficially own a total of 3,247,832 shares of our outstanding common stock. Each of Messrs. Cleveland, Hill and Webb has signed an agreement committing to vote FOR the merger-acquisition and against any other proposed transaction and has delivered an irrevocable proxy to vote his shares in accordance with such agreement. In addition, Frank B. Apodaca, Robert L. Bintliff and Eliseo Ruiz III, our executive officers, own of record a total 227,748 shares of our common stock and each has signed such an agreement to vote FOR the merger-acquisition and against any other proposed transaction and has delivered an irrevocable proxy to vote his shares in accordance with such agreement. Accordingly, our directors and executive officers own of record or are deemed to beneficially own a total of 3,472,580 shares, or 26% of our common shares and will vote FOR the merger-acquisition and against any other proposed transaction.

If less than a majority of our outstanding common stock shares are voted for the proposed approval of the Agreement and Plan of Merger, we expect that the Annual Meeting will be postponed or adjourned for the purpose of allowing additional time for soliciting and obtaining additional proxies or votes. At any subsequent reconvening of the Annual Meeting, we will vote all proxies in the same manner as they would have been voted at the original convening of the Annual Meeting, except for any proxies that have been revoked or withdrawn.

Approval of the Agreement and Plan of Merger requires the affirmative vote of at least a majority of the outstanding Precis common stock shares. Your failure to vote or your abstention from voting on your submitted proxy respecting the Agreement and Plan of Merger will have the same effect as a vote against approval of the Agreement and Plan of Merger. We urge you to complete, date and sign the accompanying proxy and return it promptly in the enclosed, postage-paid envelope.

SUMMARY OF THE AGREEMENT AND PLAN OF MERGER

The following description summarizes all of the material terms of the Agreement and Plan of Merger. For full information, you should read the Agreement and Plan of Merger, a copy of which is included as Appendix A to this Proxy Statement.

General Terms of the Merger

The Merger. ICM will merge with and into us. As a result of the merger-acquisition, the separate corporate existence of ICM will cease, we will continue as the surviving corporation and the ICM subsidiaries will become our wholly-owned subsidiaries.

Effective Time. As promptly as practical (and in any event within two business days) after the satisfaction or waiver of the conditions set forth in the Agreement and Plan of Merger, we will complete the merger-acquisition by filing articles and certificate of merger with the Secretary of State of Delaware and Oklahoma. The time of filing the certificate of merger will be the effective time of the merger-acquisition.

Conversion of ICM Capital Stock to Precis Common Stock. The outstanding common stock of ICM will be converted into the right to receive the following:

- at closing of the merger-acquisition, the Shareholders of ICM will receive 5.4051056 shares of our common stock for each $1.00 of ICM Adjusted EBITDA achieved in the four or less most recent calendar quarters beginning January 1, 2006 and ending immediately prior to closing; and

- after the effective date of the merger-acquisition closing, the shareholders will also be entitled to receive 5.4051056 shares of our common stock for each $1.00 of Adjusted EBITDA of ICM and its subsidiaries during any four consecutive calendar quarters (up until December 31, 2007) following closing of the merger-acquisition up to a maximum share issuance of 6,756,382 common stock shares.

For purposes of issuance and delivery of our common stock shares to the ICM shareholders, Adjusted EBITDA is defined as earnings before interest, income tax, depreciation and amortization determined in accordance with generally accepted accounting principles, subject to certain further adjustments. These adjustments include exclusion of a charge for severance payments made to a former officer and undeferred direct and incremental marketing costs incurred in order to generate revenues that are deferred.

Representations and Warranties

The Agreement and Plan of Merger contains various representations and warranties made by us and Mr. Nauert, the Peter W. Nauert Revocable Trust (the Nauert Trust) and ICM. These relate, among other things, to the following matters (which, in certain cases, are subject to specified exceptions):

- *Corporate Status* The organization, good standing, qualification and capitalization are as described in the Agreement and Plan of Merger, and except as stated, there are no commitments by ICM to issue any additional capital stock;

- *Approvals and Filings* There are no governmental or regulatory approvals or filings required to complete the merger-acquisition, or needed to prevent the termination of governmental or regulatory licenses or permits where the effect of such termination could reasonably be expected to have a material adverse effect on the business, assets or financial condition of ICM and its subsidiaries, as well as ours (referred to below as a material adverse effect);

- *Absence of Conflict* The merger-acquisition will not conflict with organizational documents, laws or agreements to which any party is subject, and the only consents required for the completion of

the merger-acquisition are as set forth except for those which might not reasonably be expected to have a material adverse effect;

- *Accuracy of Financial Statements* Certain financial statements delivered to the other party have been prepared fairly and in accordance with generally accepted accounting principles and there are no undisclosed liabilities that could reasonably be expected to have a material adverse effect;

- *Conduct of Business* Since the beginning of this year and until completion of the merger-acquisition, we and ICM and its subsidiaries have conducted business in the ordinary course and there has been an absence of certain changes or events, including the occurrence of a material adverse effect; and

- *Other Matters* The Agreement and Plan of Merger also includes representations and warranties dealing with employee relations, benefit plans, title to properties owned by us or ICM and its subsidiaries, compliance with laws, the absence of litigation that could reasonably be expected to have a material adverse effect, intellectual property rights, contracts, the validity and standing of any required permits and authorizations, compliance with environmental laws, maintenance of books and records, customers, and relationships and transactions with affiliates.

Conduct of Business Pending Completion of the Merger-Acquisition

The Agreement and Plan of Merger contains various covenants and agreements made by us and Mr. Nauert, the Nauert Trust and ICM. Those relate, among other things, to the following matters (which, in certain cases, are subject to specified exceptions):

- *Conduct of Business by ICM and Us.* Prior to the effective time, we as well as ICM and its subsidiaries will each conduct business only in the ordinary course of business and in a manner consistent with past practice. We and ICM (and its subsidiaries) will use reasonable commercial efforts to preserve substantially intact our or its business organization, to keep available the services of our or its present officers, employees and consultants and to preserve our or its present relationships with customers, suppliers and other persons with which we or ICM or any of its subsidiaries has significant business relations. Except as contemplated by the Agreement and Plan of Merger:

- *Amendments* ICM will not amend its Certificate of Incorporation and we will not amend our Certificate of Incorporation (other than as provided in this Proxy Statement) or bylaws;

- *Changes in Capital Structure or Assets* There will be no change in the capital structure, including issuing or repurchasing stock, or the sale, pledge or other disposition of assets, declaration or payment of any dividend or distribution, or amendment of the terms of any of securities by us or ICM (and its subsidiaries);

- *Issuance of Indebtedness; Capital Expenditures or Acquisitions* Without the other s consent, we or ICM (and its subsidiaries) will not acquire any other business or incur any additional indebtedness or, except in the ordinary course of business and consistent with past practice, incur or guarantee or otherwise become responsible for any material indebtedness or make any capital expenditures or purchase any fixed assets in excess of set amounts;

- *Employment Matters* We or ICM (and its subsidiaries) will not change any compensation arrangements or make any promises to pay any bonus or extra compensation to any director, officer, employee, salesman or agent, increase any employee benefits, or make any commitment to adopt an additional employee benefit plan;

- *Material Change or Election* We or ICM (and its subsidiaries) will not make any material change to accounting policies or procedures, or make any material tax election inconsistent

with past practice, or settle or compromise any material tax liability or agree to an extension of a statute of limitations;

- *Satisfaction of Claims or Liabilities* We or ICM (and its subsidiaries) will not pay, discharge or satisfy any claims, liabilities or obligations other than in the ordinary course of business and consistent with past practices; and

- *Other Actions* We or ICM (and its subsidiaries) will not take or agree to take any of the above actions, or any other actions which would make any representation or warranty in the Agreement and Plan of Merger untrue or incorrect, or prevent us or Mr. Nauert, the Nauert Trust, ICM and its subsidiaries from performing any covenant under the Agreement and Plan of Merger.

Additional Agreements

- *Access to Information; Confidentiality.* Upon reasonable notice and subject to any other agreement by which it is bound, we on the one hand or Mr. Nauert, ICM and its subsidiaries on the other hand will afford the other reasonable access to our or its properties, books, contracts, commitments and records and will furnish promptly to the other all information concerning our or its business, properties and personnel as the other may reasonably requested.

- *Consents; Approvals.* We and Mr. Nauert, the Nauert Trust, and ICM have agreed to use reasonable best efforts to obtain all consents, waivers, approvals, authorizations or orders, and to make all required filings, necessary to complete the merger-acquisition.

- *Indemnification.* Our Certificate of Incorporation and Bylaws contain substantially the same indemnification provisions set forth in the Certificate of Incorporation and Bylaws of ICM. Unless required by law, these provisions will not be amended, repealed or modified for a period of three years from the effective time in any manner that would adversely affect the rights of the individuals who, at the effective time, are directors or officers of ICM.

- *Notification of Certain Matters.* We and Mr. Nauert, the Nauert Trust, and ICM agreed to give the other prompt notice of any event that is likely to cause any of our or its representations or warranties in the Agreement and Plan of Merger to be materially untrue or inaccurate, or of any failure by us or it materially to comply with any covenant, condition or agreement in the Agreement and Plan of Merger.

- *Further Action.* We and Mr. Nauert, the Nauert Trust, and ICM will use all commercially reasonable efforts to consummate as promptly as practicable the transactions contemplated by the Agreement and Plan of Merger, to obtain in a timely manner all necessary waivers, consents and approvals and to effect all necessary registrations and filings, and otherwise to satisfy or cause to be satisfied all conditions precedent to our or its obligations under the Agreement and Plan of Merger.

Conditions to the Merger-Acquisition

Conditions to Obligation of Each Party to Effect the Merger. Our obligations and those of ICM, Mr. Nauert and the ICM shareholders to complete the merger-acquisition are subject to the satisfaction, at or prior to the effective time, of various conditions. We believe that all conditions of completing the merger-acquisition will be timely satisfied and accordingly there is no material uncertainty that all conditions of the merger-acquisition will be satisfied. These conditions include the following:

- *Representations and Warranties* The representations and warranties contained in the Agreement and Plan of Merger must be true and correct in all respects on and as of the effective time, except where the failure to be true and correct could not reasonably be expected to have a material adverse effect;

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- *Agreements and Covenants* All agreements and covenants contained in the Agreement and Plan of Merger must have performed or complied with all material respects on and as of the effective time;

- *Consents and Approvals* All material required consents, waivers, approvals, authorizations or orders must be obtained, and all required filings must have been made, except where the failure to do so would not reasonably be expected to have a material adverse effect on us or ICM and its subsidiaries;

- *Governmental Actions* There must not be any pending or threatened action, proceeding or inquiry by any governmental authority or administrative agency, or any other legal restraint, preventing or seeking to prevent us from exercising all material rights and privileges pertaining to our ownership of ICM and its subsidiaries or our ownership or operation of the business or assets of ICM and its subsidiaries, or compelling or seeking to compel us to dispose of or hold separate all or any material portion of its business or assets, as a result of the merger-acquisition;

- *Illegality* There must not be any statute, rule, regulation or order which makes the consummation of the merger-acquisition illegal;

- *Interim Results of Operations* Insuraco, ICM s operating subsidiary, must achieve earnings before interest, taxes, depreciation and amortization (*i.e.*, Adjusted EBITDA) as adjusted to exclude severance charges, of not less than $600,000 or more during the nine months ended September 30, 2006 and Mr. Nauert must state that and he knows of no reason that the ICM and its Subsidiaries will not substantially achieve or exceed the projected results of operations for the year ending December 31, 2006; and

Termination

Conditions to Termination. Subject to notice requirements and rights to cure defaults or breaches, the Agreement and Plan of Merger may be terminated at any time prior to the effective time:

- by mutual written consent of Mr. Nauert, the Nauert Trust, and ICM and us as authorized by ICM s and our Boards of Directors; or

- by either us or ICM, Mr. Nauert and the Peter W. Nauert Revocable Trust (the Nauert Trust) or

- if the merger-acquisition is not completed by March 30, 2007 (except that any party whose failure to fulfill any obligation under the Agreement and Plan of Merger has prevented consummation of the merger-acquisition by such date cannot terminate the Agreement and Plan of Merger for this reason); or

- if there is a non-appealable final order, decree or ruling or other action having the effect of permanently restraining, enjoining or otherwise prohibiting the merger-acquisition; or

- (i) if any of our, on one hand, or ICM s, or Mr. Nauert s and the Nauert Trust s, on the other hand, representations or warranties in the Agreement and Plan of Merger was untrue when made, or (ii) upon a breach by us or Mr. Nauert and the Nauert Trust s, on the other hand, of any covenant or agreement in the Agreement and Plan of Merger, and are of the nature that the conditions to the our or their obligations would not be satisfied; or

- by us, if any representation or warranty of ICM, Mr. Nauert and the Nauert Trust becomes untrue so that the conditions of our obligations will not be satisfied, or by ICM, Mr. Nauert and the Nauert Trust, if any of our representations or warranties have become untrue so that the conditions to their obligations will not be satisfied.

Costs and Expenses. All fees and expenses incurred in connection with the Agreement and Plan of Merger and the merger-acquisition will be paid by the party incurring the expenses, whether or not the merger-acquisition is consummated. However, we will bear all fees, costs and expenses associated with preparation of this Proxy Statement and, if the merger-acquisition is completed, ICM shall bear its costs and expenses without reimbursement by us. In the event of consummation, we will indirectly bear these costs and expenses in this transaction as a result of our ownership of ICM.

Amendment and Waiver

The Agreement and Plan of Merger may be amended in writing by the parties at any time prior to the effective time. At any time prior to the effective time, any party to the Agreement and Plan of Merger may extend the time for the performance of any of the obligations or other acts of another party, waive any inaccuracies in the representations and warranties of another party contained in the Agreement and Plan of Merger or in any document delivered pursuant to the Agreement and Plan of Merger, or waive compliance with any of the agreements or conditions of another party contained in the Agreement and Plan of Merger. Any such extension or waiver will be valid if set forth in an instrument in writing signed by the party or parties to be bound.

PROPOSAL TWO

APPROVAL OF AMENDMENT OF OUR 2002 NON-EMPLOYEE STOCK OPTION PLAN

Our Board of Directors adopted and approved the amendment and restatement of the Precis, Inc. 2002 Non-Employee Stock Option Plan (the Non-Employee Plan) and is seeking ratification and shareholder approval of the amendment and restatement of the Non-Employee Plan that, effective May 31, 2002, was adopted by the Board of Directors and approved by our shareholders on July 29, 2002. A copy of the Plan, as amended and restated, is attached hereto as Appendix C (the Amended Plan). Subject to approval of the Amended Plan by a majority of our shareholders, we will increase the number of our common stock shares reserved for issuance upon the exercise of options granted under the Plan from 500,000 to 1,500,000 shares and the expiration date of the Plan will be extended from March 31, 2007 to March 31, 2010.

The Stock Option Plan (Amended and Restated)

The purpose of the Non-Employee Plan is to strengthen our ability to attract and retain the services of individuals that serve as our non-employee directors, insurance agents, independent marketing representatives, consultants, and advisors that are essential to our long-term growth and financial success and thereby to enhance shareholder value. Through option grants under the Non-Employee Plan, our non-employee directors, consultants and other advisors have the opportunity to acquire an equity interest in us by receipt of stock options (Options) exercisable for the purchase of our common stock shares. Our employees are not eligible to participate in the Non-Employee Plan. Under the provisions of the Non-Employee Plan, the Options do not qualify as options granted pursuant to Section 422 of the Internal Revenue Code of 1986, as amended (the Code), and accordingly will not qualify for the favorable tax consequences thereunder upon the grant and exercise of the Options. The total number of shares of common stock authorized and reserved for issuance upon exercise of Options granted under the Non-Employee Plan will be 1,500,000 in the event the Amended Plan is approved by our shareholders.

Grant and Exercise of Options. **Our Board of Directors administers and interprets the Non-Employee Plan and has authority to grant Options to all eligible independent marketing representatives and others, and determine the basis upon which the Options are to be granted and the terms, restrictions and conditions of the Options at the time of grant. Options granted under the Non-Employee Plan are exercisable in such amounts, at such intervals and upon such terms as the Option grant provides. The purchase price of the common stock under the Option is determined by our Board; however, the purchase price may not be less than the closing sale price of our common stock on the date of grant of the Option. Upon the exercise of an Option, the stock purchase price must be paid in full, in cash by check or in our**

common stock held by the Option holder for more than six months or a combination of cash and common stock.

Options granted under the Non-Employee Plan may not under any circumstance be exercised after 10 years from the date of grant. No Option under the Non-Employee Plan may be granted after March 31, 2010 if the shareholders approved the Amended Plan. Options are not transferable except by will, by the laws of descent and distribution, by gift or a domestic relations order to a family member. Family member transfers include transfers to parents (and in-laws) to nieces and nephews (adopted or otherwise) as well as trusts, foundations and other entities principally for their benefit.

Termination and Amendment. The Non-Employee Plan will terminate on March 31, 2010 if the shareholders approved the Amended Plan. The Non-Employee Plan may be altered, changed, modified, amended or terminated by written amendment approved by our Board; provided, that no action of our Board may, without the approval of our shareholders:

- increase the total amount of common stock that may be purchased pursuant to exercise of Options granted under the Non-Employee Plan;
- withdraw the administration of the Non-Employee Plan from our Board of Directors;
- amend or alter the Option price of common stock under the Non-Employee Plan;
- amend the Non-Employee Plan in any manner that would impair the applicability of the exemption afforded to the Non-Employee Plan by the Securities Exchange Act of 1934 and the Securities and Exchange Commission s Rule 16b-3; or
- amend the Non-Employee Plan to permit our officers, employee-directors or employees to receive Options under the Non-Employee Plan.

No amendment, modification or termination of the Non-Employee Plan may in any manner adversely affect any Option previously granted under the Non-Employee Plan without the consent of the holder.

Participants. At this time it is not possible to determine who in the future, other than our directors, will be among the individuals that will become entitled to receive Options under the Non-Employee Plan or the number of shares of common stock that may be optioned to any eligible individuals. It is expected, however, that these determinations will be made on the basis of the individual s contribution or potential contribution to our success as determined by our Board.

Because the Non-Employee Plan became effective during 2002, the previous adoption and shareholder approval of the Amended Plan would not have resulted in any change in the granting or terms of the Options granted during 2002 through 2005. The table presented below sets forth certain information as of December 31, 2005 related to the Options granted pursuant to the Non-Employee Plan to our executive officers and directors.

Precis, Inc. 2002 Non-Employee Stock Option Plan

Name and Position	Expiration Date	Number of Common Shares	Per Share Exercise Price	Aggregate Option Value(1)
Frank B. Apodaca			$	$
President and Chief Operating Officer				
Robert L. Bintliff				
Executive Vice President and Chief Financial Officer				
Eliseo Ruiz III				
Executive Vice President and General Counsel and Secretary				
Executive officers as a group				
Nicholas J. Zaffiris(2)				
Non-Executive Chairman of the Board of Directors	7/30/2007	25,000	7.65	
	7/30/2008	10,000	5.25	
	10/27/2009	10,000	2.59	
	11/28/2010	20,000	1.27	5,400
Eugene E. Becker				
Director	7/30/2007	25,000	7.65	
	7/30/2008	10,000	5.25	
	10/27/2009	10,000	2.59	
	11/28/2010	20,000	1.27	5,400
Russell Cleveland				
Director				
Kenneth S. George				
Director	7/30/2008	25,000	5.25	
	10/27/2009	10,000	2.59	
	11/28/2010	20,000	1.27	5,400
J. French Hill				
Director	1/27/2008	25,000	3.97	
	7/30/2008	10,000	5.25	
	10/27/2009	10,000	2.59	
	11/28/2010	20,000	1.27	5,400
Kent H. Webb, M.D				
Director and Medical Director.	7/30/2007	25,000	7.65	
	5/4/2007	12,000	5.06	
	7/30/2008	22,000	5.25	
	10/27/2009	22,000	2.59	
	11/28/2010	32,000	1.27	8,640
Non-executive director group	363,000	30,240		
Non-executive officer employee group				
Robert E. Jones(3)				
Former Director	6/18/2009	100,000	2.76	

(1) The closing sale price of our common stock as reported on the Nasdaq Capital Markets on December 31, 2005 was $1.54. The per-share value is calculated based on the applicable closing sale price per share, minus the exercise price, multiplied by the number of shares of common stock underlying the options.

(2) In August 2002, Mr. Zaffiris began serving as one of our Directors and in June 2005, Mr. Zaffiris began serving as our Non-Executive Chairman of the Board of Directors. The stock options held by Mr. Zaffiris were granted during his service as a Director prior to August 2005.

(3) In March 2006, Mr. Jones resigned as one of our Directors.

Federal Income Tax Consequences

The grant of Options under the Non-Employee Plan will not have any tax consequences to us or the recipient of the Option. Upon exercise of an Option, the Option holder will recognize ordinary income (and the Company will recognize a tax benefit that will be reported as an adjustment to additional paid in capital) in an amount equal to the excess, if any, of the fair market value, on the date of exercise, of the shares of common stock acquired over the exercise price of the Option. Any additional gain or loss realized on disposition of the Option shares generally will be capital gain or loss and will not result in any additional tax deductions to us.

Accounting Treatment of Options

In December 2004, the Financial Accounting Standard Board (FASB) issued Statement of Financial Accounting Standard No. 123R, Share-Based Payment (SFAS 123(R)) a revision to SFAS No. 123, Accounting for Stock-Based Compensation. SFAS 123(R) eliminates the alternative to record compensation expense using the intrinsic value method of accounting under Accounting Principles Board Opinion 25 (Opinion 25) that was provided in SFAS No. 123 as originally issued.

Under Opinion 25, issuing stock options to employees generally resulted in the recognition of no compensation cost if the options were granted with an exercise price equal to their fair value at the date of grant. SFAS 123(R) requires companies to measure and record the cost of employee services received in exchange for an award of equity instruments based on the fair value of the award at the date of grant (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service.

In April 2005, the United States Securities and Exchange Commission voted to change the effective date of SFAS 123(R) to fiscal years starting after June 15, 2005; however, early application was encouraged. We adopted the modified version of the prospective application of SFAS 123(R) as of January 1, 2006. Under SFAS 123(R) we are required to recognize compensation expense, over the applicable vesting period, based on the fair value of (i) any unvested awards subject to SFAS 123(R) existing as of January 1, 2006, and (ii) any new awards granted subsequent to the adoption date. See Note 2, Stock Based Compensation of our Unaudited Condensed Consolidated Financial Statements appearing elsewhere in this Proxy Statement for the effect of adoption on our consolidated financial statements.

Consequences of Merger-Acquisition

Approval by our shareholders and completion of the merger-acquisition or failure to complete the merger-acquisition of ICM and its subsidiaries will not have any effect on the Non-Employee Plan or the Amended Plan.

Required Affirmative Vote

The affirmative vote of the holders of a majority of the shares voted or cast at the Annual Meeting in person and by proxy and entitled to vote is required for the approval of the Amended Plan. Abstentions and broker non-votes will not be tabulated as negative votes on this proposal, but will be included in computing the number of shares present for purposes of determining whether approval of the Amended Plan has received the required vote for approval.

Recommendation of Our Board of Directors

Our Board of Directors recommends that you vote **FOR** the approval of the Amended Plan. We will vote your proxy accordingly unless you specify a contrary choice.

PROPOSAL THREE

NAME CHANGE AMENDMENT TO CERTIFICATE OF INCORPORATION

We are proposing amendment of our Certificate of Incorporation, upon approval by the holders of a majority of our outstanding common stock, to change our name from Precis, Inc. to Access Plans USA, Inc. to reflect more accurately the broadening of our business activities and product offerings.

In June 2004, we acquired Access HealthSource, Inc. (Access). As a result of this Access acquisition, our business focus and plan expanded. Access provides a wide range of healthcare claims administration services and other cost containment procedures that are frequently required by governments and other employers who have chosen to self-fund their healthcare benefits requirements. With the services of Access, we offer a more complete suite of healthcare services. We are able to provide individuals and employee groups access to preferred provider networks, medical escrow accounts and full third-party administration capabilities to adjudicate and pay medical claims. As a result, our healthcare products and services have significantly broadened and expanded. In the event our acquisition of ICM and its subsidiaries is complete, we anticipate our products and services will further broaden and expand.

Our Board of Directors believes it is important that our corporate name reflect to some extent the nature of the products and services we offer. Our Board believes that although the Precis name has developed a level of name recognition, it does not reflect or suggest the nature of the business activities we conduct and the products and services we offer. Accordingly, on November 8, 2006, our Board unanimously approved Access Plans USA, Inc. as our corporate name which requires amendment of our Certificate of Incorporation (the Name Change Amendment), which upon proper filing with the Secretary of State of Oklahoma, will change our name to Access Plans USA, Inc. A copy of the amendment to our Certificate of Incorporation, as amended and restated to reflect the Name Change Amendment, is attached as Appendix C. Following shareholder approval of the Name Change Amendment, the Amended and Restated Certificate of Incorporation will be filed with the Secretary of State of Oklahoma.

Following approval of the Name Change Amendment and our filing of the Amended and Restated Certificate of Incorporation, each outstanding common stock certificate will continue to be valid and represent the number of common shares shown on its face. The outstanding common stock certificates will not be exchanged for new certificates, so do not destroy your present common stock certificates. It will not be necessary for you to return your stock certificate to us or our transfer agent as a result of the Name Change Amendment.

Consequences of Merger-Acquisition

Approval by our shareholders and completion of the merger-acquisition or failure to complete the merger-acquisition of ICM and its subsidiaries will not have any effect on the Name Change Amendment.

Required Affirmative Vote

The affirmative vote of a majority of the outstanding shares of our common stock is required for the approval of the Name Change Amendment. Abstentions and broker non-votes will not be tabulated as negative votes on this proposal, but will be included in computing the number of shares present for purposes of determining the presence of a quorum for the Annual Meeting.

Recommendation of Our Board of Directors

Our Board of Directors recommends a vote **FOR** the approval of the Name Change Amendment. We will vote your proxy accordingly unless you specify a contrary choice.

PROPOSAL FOUR

ELECTION OF DIRECTORS

Our Bylaws provide that our Board of Directors shall consist of not less than one and a greater number as determined from time to time by resolution of our Board. The number of directors is currently fixed at six and will be reduced to five at the Annual Meeting as a result of Eugene E. Becker not standing for re-election. In general, a director holds office for a term expiring at the next annual meeting of our shareholders or until his successor is duly elected and qualified. Nominations of candidates for election as our directors may be made at any meeting of our shareholders by or at the direction of our Board of Directors or by any shareholder entitled to vote at the meeting. Our Bylaws provide that the annual meeting of our shareholders will be fixed by our Board.

Nominees

Our Board of Directors and its Corporate Governance and Nominee Committee has nominated Nicholas J. Zaffiris, J. French Hill, Kent H. Webb, Kenneth S. George and Russell Cleveland (each, a Nominee or, collectively, Nominees) for election as a director for a term expiring in 2007 or until his successor is elected and qualified or until his earlier death, resignation or removal. For information about each Nominee, see Board of Directors and Committee Matters.

The persons named as proxies in the accompanying Proxy, who have been designated by our Board, intend to vote, unless otherwise instructed in the Proxy, for the election of Messrs. Zaffiris, Hill, Webb, George and Cleveland. Each of Messrs. Hill, Webb, George and Cleveland are considered independent directors. Mr. Zaffiris is not considered an independent director because he is currently serving as our Non-Executive Chairman of the Board of Directors, in which capacity he occasionally fulfills the role of an acting chief executive officer. Mr. Zaffiris is not, and has not, ever been employed by us. In the event that any Nominee becomes unable for any reason to stand for election as a director, it is intended that the persons named in the Proxy will vote for the election of another person as our Board may recommend. We know of no reason why the Nominees will be unavailable or unable to serve.

Consequences of Merger-Acquisition

Upon completion of the merger-acquisition of ICM and its subsidiaries following approval by our shareholders, the number of directors serving on our Board of Directors will be increased to seven and Peter W. Nauert and Andrew A. Boemi will become members of our Board of Directors. Mr. Nauert is currently Chief Executive Officer and Chairman of the Board of ICM. Therefore, shareholder approval of the merger-acquisition of ICM and its subsidiaries will also constitute the election of Messrs. Nauert and Boemi to serve on our Board as Directors.

Required Affirmative Vote

The affirmative vote of the holders of a majority of the shares of common stock present in person or by proxy at the Annual Meeting and entitled to vote, is required for the election of a director. An abstention from voting and broker non-votes will be tabulated as a vote withheld on the election, but will be included in computing the number of shares present for purposes of determining the presence of a quorum for the Annual Meeting and whether a nominee has received the vote of a majority of the shares present at the Annual Meeting.

Recommendation of Our Board of Directors

Our Board of Directors recommends a vote **FOR** the re-election of Nicholas J. Zaffiris, J. French Hill, Kent H. Webb, Kenneth S. George and Russell Cleveland to our Board. We will vote your proxy accordingly unless you specify a contrary choice.

BOARD OF DIRECTORS AND COMMITTEE MATTERS

Our Bylaws provide that our Board of Directors shall consist of not less than one and a greater number as determined from time to time by resolution of our Board. The number of directors is currently fixed at six, which will reduce to five at the Annual Meeting as a result of Eugene E. Becker not standing for re-election. In general, a director holds office for a term expiring at the next annual meeting of our shareholders or until her or his successor is duly elected and qualified. Nominations of candidates for election as our directors may be made at any meeting of our shareholders by or at the direction of our Board of Directors or by any shareholder entitled to vote at the meeting. Our Bylaws provide that our Board will fix the date of the annual meeting of our shareholders. The following table sets forth information with respect to each of our directors and nominee directors.

Name	Age	Position
Nicholas J. Zaffiris(1)(2)(3)	43	Non-Executive Chairman of the Board and Nominee Director
Eugene E. Becker(1)(2)(3)(4)	57	Director
Russell Cleveland(1)(4)	67	Director and Nominee Director
Kenneth S. George(1)	58	Director and Nominee Director
J. French Hill(4)	49	Director and Nominee Director
Kent H. Webb, M.D.(2)(3)(3)	49	Director and Nominee Director
Peter W. Nauert(5)	63	Nominee Director
Andrew A. Boemi(5)	62	Nominee Director

(1) Member of the Compensation Committee.

(2) Member of the Governance and Nominating Committee.

(3) Member of the Medical Committee.

(4) Member of the Audit Committee.

(5) Under the terms of the Agreement and Plan of Merger, upon completion of our merger-acquisition of ICM, each of Peter W. Nauert and Andrew A. Boemi will become members of our Board of Directors. Therefore, shareholder approval of the Agreement and Plan of Merger will also result in the election of Messrs. Nauert and Boemi as Director upon completion of the merger-acquisition.

Information About Each Director

Nicholas J. Zaffiris became one of our directors in August 2002 and in June 2006 began serving as our Non-Executive Chairman of the Board of Directors. He is currently the Vice President of Sales and Account Management, West, at MultiPlan, Inc., formerly Private Healthcare Systems (PHCS), a privately-held preferred provider organization, and is responsible for new sales and existing customer retention and grants for the Western region of the country. Mr. Zaffiris joined PHCS in early 1998, and has more than 15 years of healthcare experience, including client management, sales, marketing and customer service. Before joining PHCS, he worked for the National Account Service Company, Blue Cross Blue Shield of Florida, and served as a Lieutenant in the United States Navy. Mr. Zaffiris received a B.S. in Political Science from the United States Naval Academy.

Mr. Zaffiris was appointed as our Non-Executive Chairman of the Board on June 10, 2005 upon the departure of our former Chief Executive Officer, Judith Henkels. Mr. Zaffiris is not, and has not been our employee. His appointment by our Board was temporary during the period in which we searched for a new Chief Executive Officer. During this search, our Board determined that the merger-acquisition of ICM and its subsidiaries was in the best interest of our shareholders and would also provide a source for a proven Chief Executive Officer. In his role as Non-Executive Chairman, Mr. Zaffiris has functioned in a liaison capacity between our Board and executive officers. In addition, Mr. Zaffiris provided his guidance to our

executive officers on strategy and corporate direction. Mr. Zaffiris is a full-time employee of MultiPlan, Inc. formerly Private Healthcare Systems, and as Non-Executive Chairman he has not participated in our day-to-day operations. It is expected that Mr. Zaffiris role as Non-Executive Chairman will end upon the completion of the merger-acquisition of ICM and its subsidiaries.

Eugene E. Becker became one of our directors in August 2002. He is President of Eugene Becker & Associates, Inc., a privately-held marketing and consulting company. Mr. Becker served as the Chief Executive Officer of Aon Financial Partnerships during May to September 2000. During 1983 to 1999, Mr. Becker served as Chief Marketing Officer of American Bankers Insurance Group (during 1991 to 1999), Chief Executive Officer, and President and Chairman of the Board of American Bankers Insurance Company, American Bankers Life Assurance Company, Voyager Insurance Group, American Reliable Insurance Company and Banker American Life Assurance Company (during 1988 to 1999).

Mr. Becker currently serves as a member of the board of directors for three companies: Interstate National Dealer Services, California Check Cashing Company, and Pacific Specialty Insurance Company. Mr. Becker received a B.A. from Biscayne College (now St. Thomas University), and a M.B.A. from the University of Miami.

Russell Cleveland became one of our directors in September 2005. He is the Founder, President, and CEO of Renn Capital Group, Inc., a privately held investment management company. He has held these positions since 1972. Mr. Cleveland has 40 years experience in the investment business, of which 31 years has been spent as a portfolio manager specializing in the investment of common stocks and convertibles of small private and publicly traded companies. A graduate of Wharton School of Business, Mr. Cleveland has served as President of the Dallas Association of Investment Analysts and, during the course of his career, has served on numerous boards of directors of public and private companies. Mr. Cleveland currently serves on the Boards of Directors of Renaissance III, RUSGIT, Cover-All Technologies, Inc., CaminoSoft Corp., Integrated Security Systems, Inc. and Tutogen Medical, Inc., all of which are publicly traded companies.

Kenneth S. George became one of our directors in June 2003. Mr. George served two terms as a State Representative in the Texas House of Representatives. Mr. George has been self-employed, managing his own investment activities since 2001. From 1996 until 2001, he was General Partner of Riverside Acquisitions L.L.C. and was active in commercial real estate, financial and land transactions. From 1994 through 1995, Mr. George was Chairman and Chief Executive Officer of Ameristat, Inc., the largest private ambulance provider in the state of Texas. From 1988 until 1994, he was Chairman and Chief Executive Officer of EPIC Healthcare Group, an owner of 36 suburban/rural acute care hospitals with 15,000 employees and $1.4 billion in revenues. Mr. George has an M.B.A. from the University of Texas at Austin and a B.A. from Washington and Lee University.

J. French Hill joined the board of directors in January 2003. In 1999, Mr. Hill founded Delta Trust & Banking Corp., a privately held banking, trust and investment brokerage company headquartered in Little Rock, Arkansas, following a six year career with Arkansas largest publicly traded holding company, First Commercial Corp. First Commercial was sold in 1998 to Regions Financial Corp. (RF). As an executive officer of First Commercial, Mr. Hill was chairman of the bank holding company s trust division and its investment brokerage dealer subsidiary from 1995 until 1998. He also oversaw a number of other staff functions in the company from 1993 through 1998 including human resources, executive compensation, bank compliance, credit review and strategic planning. During the last five years he has served as a member of the board of directors of these companies: Delta Trust & Banking Corp. and its affiliates (1999 to present); Research Solutions LLC, a privately held company in the clinical trials business (1999 to present), and Syair Designs LLC a privately held company in the aircraft lighting systems business (2000-2003). From May 1989 through January 1993, Mr. Hill was a senior economic policy official in the

George H. W. Bush Administration on the staff of the White House and as deputy assistant secretary of the U.S. Treasury. Mr. Hill graduated magna cum laude in economics from Vanderbilt University.

Kent H. Webb, M.D., a founder of Precis, has served as one of our Directors since June 1996 (and Medical Director since August 2001). He served as Chairman of our Board of Directors until December 2000 and was a member or general partner of our predecessors Advantage Data Systems, Ltd. and Medicard Plus ADS Limited Partnership. Dr. Webb is a general and vascular surgeon and is the cofounder and a director of Surgical Hospital of Oklahoma. He is a Fellow of the American College of Surgeons and serves as a Clinical Professor for the University of Oklahoma. Dr. Webb is a past director of the Smart Card Industry Association, a nonprofit association. He is a surgical consultant for the Ethicon Division of Johnson & Johnson Company, a publicly-held pharmaceutical and consumer products company. Dr. Webb graduated from the University of Oklahoma College of Medicine and completed his residency in General and Vascular Surgery at the University of Oklahoma Health Services Center.

Peter W. Nauert, age 63, has served as Founder and Chairman of Insurance Capital Management (ICM) since its inception in 2002. Prior to founding ICM, Mr. Nauert was Chairman and CEO of Ceres Group, Inc., a publicly-held insurance company, from July 1998 to June 2002. From December 2003 to February 2005, Mr. Nauert was Chairman of the Board and controlling shareholder of Aegis Financial Corporation, the parent of States General Life Insurance Company (SGLIC). Mr. Nauert served as Chief Executive Officer of Pioneer Financial Services from 1982 to 1997. Mr. Nauert received a Juris Doctor (JD) from George Washington University as well as a Bachelor of Science degree in Business Administration from Marquette University.

Andrew A. Boemi, has been a Managing Director of Turnaround Capital Partners LP, a Chicago-based private equity firm focused on investments in the lower middle market, since 2001. He is a Director of Insurance Capital Management USA Inc. and serves on the Advisory Board of Gateway Systems, a privately-held International Treasury and Cash Management software development firm. Mr. Boemi has served on the Board of Directors and as Chairman of the Audit Committee of Ceres Group, Inc., a previously Nasdaq listed insurance holding company and on the Board of Directors of Pet Ag, a privately held international Manufacturer of milk replacers for pets. Mr. Boemi is a member of Turnaround Management Association.

Mr. Nauert s Relationship with The States General Life Insurance Company.

On October 3, 2003, Strategic Acquisition Partners, a privately held company (SAP), purchased Aegis Financial Corporation (Aegis), the sole owner of SGLIC. Mr. Nauert owned a 75% interest in SAP. SGLIC was facing financial challenges at the time Aegis was purchased by SAP. The previous owner of Aegis had refused to provide the capital and other financial resources necessary for SGLIC to continue its operations. Mr. Nauert believed that he could affect a turnaround of SGLIC by refocusing its sales and marketing initiatives and reducing expenses. However, by the second half of 2004, it became apparent that emerging health insurance claims were significantly greater than predicted at the time SAP acquired SGLIC and that SGLIC s capital was being significantly depleted. During the fourth quarter of 2004, Mr. Nauert led various initiatives to recapitalize SGLIC. Despite various expressions of preliminary interest, the potential investors in SGLIC, failed to provide the capital resources necessary to allow SGLIC to continue its operations. Accordingly, in February 2005, Mr. Nauert and SAP agreed to place SGLIC in permanent receivership with the Texas Insurance Commission (The State of Texas v. States General Life Insurance Company, Cause No. GV-500484 in the 126th District Court of Travis County, Texas). At the time SGLIC was placed into receivership, Mr. Nauert was the Chairman of the Board of SGLIC and the principal shareholder of its ultimate parent, SAP. Additionally, Michael K. Owens, who will continue as President of America s Health Care/Rx Plan Agency, Inc. after our merger with ICM, was an officer of SGLIC.

Information Concerning the Board of Directors

Our Board of Directors currently consists of six members, five of whom qualify as independent within the meaning of the listing standards of The Nasdaq Stock Market, Inc. The Board determined that each member of the Board, other than Nicholas J. Zaffiris, qualifies as an independent director. Mr. Zaffiris does not qualify because of his association with us as our Non-Executive Chairman of the Board of Directors, in which capacity he occasionally fulfills the role of an acting Chief Executive Officer.

During 2005, our Board of Directors held 10 meetings and took one action through unanimous approval of a written record and memorandum of action in lieu of meeting. Each of the Nominees attended at least 75% of the Board meetings and the meetings of the Committees on which he served. The Board met in executive session, without members of management, four times.

Committees of the Board

Our Board maintains four standing committees: Audit, Compensation, Governance and Nominating, and Medical. The Compensation Committee and Audit Committee were established in 1999 and the Corporate Governance Committee and Medical Committee were established in 2003. In 2004, the Corporate Governance Committee became the Governance and Nominating Committee by action of the Board. All committees report on their activities to our Board and serve at the pleasure of our Board. The respective duties of the Audit Committee and Governance and Nominating Committee are specifically set forth in the charter of each. A copy of the Audit Committee Charter is attached to this Proxy Statement as Appendix D. Furthermore, the charters of our Audit Committee, Compensation Committee, and Governance and Nominating Committee are available on our web site at www.precis-pcis.com under the section captioned investor relations.

Audit Committee Matters

The Audit Committee monitors the integrity of our financial statements, the independence and qualifications of the independent registered public accounting firm, our compliance with legal and regulatory requirements and the effectiveness of our internal controls. The Audit Committee is also responsible for retaining, evaluating, and, if appropriate, recommending the termination of our independent registered public accounting firm. Our independent registered public accounting firm is responsible for expressing an opinion on the conformity of our audited financial statements with the standards of the Public Accounting Oversight Board (United States).

Our Board of Directors has determined that each of J. French Hill and Russell Cleveland, both Directors and members of the Audit Committee, qualifies as a financial expert. This determination was based upon their

- understanding of generally accepted accounting principles and financial statements;
- ability to assess the general application of generally accepted accounting principles in connection with the accounting for estimates, accruals and reserves;
- experience preparing, auditing, analyzing or evaluating financial statements that present the breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our financial statements, or experience actively supervising one or more persons engaged in such activities;
- understanding of internal controls and procedures for financial reporting; and
- understanding of Audit Committee functions.

Mr. Hill s experience and qualification as a financial expert were acquired through his extensive background in financial analysis, investment banking, finance and commercial banking. He has also participated in the preparation of financial statements and registration statements filed with the United States Securities and Exchange Commission. Mr. Hill also currently serves on one other audit committee of a company that is not publicly-held and has oversight responsibility of the financial statements and works with the internal accountants and external auditors on audit and accounting matters.

Mr. Cleveland s experience and qualification as a financial expert were acquired through his extensive background in financial analysis, investment banking and finance. He has also participated in the preparation of financial statements and registration statements filed with the United States Securities and Exchange Commission. Mr. Cleveland also currently serves on one other audit committee where he has oversight responsibility of the financial statements and works with the internal accountants and external auditors on audit and/or accounting matters.

In the performance of its functions, our Audit Committee

- reviewed and discussed the audited consolidated financial statements for 2005 with our management,

- received the written disclosures and the letter from our independent registered public accounting firm required by Independence Standards Board Standard No. 1 and discussed with our independent registered public accounting firm its independence, and

- recommended to our Board of Directors that the audited financial statements as of and for the year ended December 31, 2005 be included in our annual report on Form 10-K for filing with the Securities and Exchange Commission.

The review with the independent registered public accounting firm included a discussion of its judgment as to the quality, not just the acceptability, of our accounting principles and other matters as are required to be discussed in accordance with Statement of Auditing Standards No. 61. Our Audit Committee also discussed the independent registered public accounting firm s independence from the Company and our management members, including disclosures received by the Audit Committee in accordance with the requirements of the Independence Standards Board and us. Furthermore, our Audit Committee considered whether the non-financial statement audit services provided by our independent registered public accounting firm affected its independence. The Audit Committee will discuss with our independent registered public accounting firm the overall scope and plans of its audit for 2006.

Each member of the Audit Committee is an independent director within the meaning of the listing standards of The Nasdaq Stock Market, Inc. and the rules of the United States Securities and Exchange Commission. During 2005, our Audit Committee formally met eight times and Mr. Hill, the Chairman of the Audit Committee and designated financial expert, met with the independent registered public accounting firm by telephone or in person on a quarterly basis to discuss our quarterly financial statements. Our Audit Committee met with our Board of Directors four times during 2005.

Change of Independent Registered Public Accountants. Effective December 19, 2005, our Board of Directors, upon the recommendation of our Audit Committee, dismissed BDO Seidman, LLP as our independent registered public accounting firm. On the same date, upon the recommendation and approval of our Audit Committee, our Board of Directors engaged Hein & Associates LLP as our independent registered public accounting firm for 2005. Hein & Associates LLP remain as our independent registered public accounting firm.

The audit reports of Hein & Associates LLP and BDO Seidman, LLP on our 2005, 2004 and 2003 consolidated financial statements contained no adverse opinion or disclaimer of opinion and were not qualified or modified, as to uncertainty, audit scope, or accounting principles.

There were no disagreements with BDO Seidman, LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which disagreements, if not resolved to the satisfaction of BDO Seidman, LLP would have caused it to make reference to the subject matter of the disagreements in connection with its reports. Also, there was no occurrence of a reportable event under Item 304(a)(1)(v) of Regulation S-K or Item 304 of Regulation S-B respecting the years ended December 31, 2004 and 2003 and the interim period through September 30, 2005. We provided BDO Seidman, LLP with a copy of the foregoing disclosures. By copy of a letter dated December 21, 2005, BDO Seidman, LLP stated its agreement with those statements.

During 2003 and 2004 and the subsequent interim period ending September 30, 2005, we had not previously consulted with Hein & Associates LLP on items that (i) concerned the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements or (ii) concerning any subject matter of a disagreement or reportable event with BDO Seidman, LLP.

Fees for Independent Registered Public Accounting Firm. During 2005 and 2004, Hein & Associates LLP and BDO Seidman, LLP rendered professional services to us in connection with, among other things, the audit of our annual financial statements for the years ended December 31, 2005 and 2004 and reviews of the unaudited financial statements included in our Quarter Reports on Form 10-Q.

The aggregate fees for professional services rendered to us for the years ended December 31, 2005 and 2004 were as follows:

Audit Fees. During the year ended December 31, 2005, we were billed $138,805 by Hein & Associates LLP and during the year ended December 31, 2004, we were billed $260,000 by BDO Seidman, LLP for audit services.

Audit Related Fees. During each of the years ended December 31, 2005 and 2004, we incurred audit related fees of $16,000 related primarily to reviews of SEC filings.

Tax Fees. During the years ended December 31, 2005, and 2004 we were billed $11,000 and $23,000, respectively, by BDO Seidman, LLP, for tax services. During the years ended December 31, 2005 and 2004, tax services included fees for tax compliance and consulting services related to our annual federal and state tax returns.

All Other Fees. During the year ended December 31, 2004, we incurred other fees of $2,500 in connection with a proposed acquisition.

In reliance on the review and discussions referred to above, our Audit Committee recommended to our Board of Directors, and the Board approved, that the audited financial statements for the fiscal year ended December 31, 2005, as filed with the United States Securities and Exchange Commission. The Audit Committee has selected Hein & Associates LLP as our independent registered public accounting firm for 2006. Representatives of Hein & Associates LLP will be present at the Annual Meeting and will have the opportunity to make a statement if they so desire and will be available to respond to appropriate questions from shareholders attending the meeting.

Audit Committee Pre-Approval Procedures. Rules and regulations of the United States Securities and Exchange Commission implemented in accordance with the requirements of Sarbanes-Oxley Act of 2002 require audit committees of companies reporting under and pursuant to the Securities Exchange Act of 1934 to pre-approve audit and non-audit services. Our Audit Committee follows procedures pursuant to which audit, audit-related and tax services, and all permissible non-audit services, are pre-approved by category of service. During a year circumstances may arise that require engagement of the independent public accountants for additional services not contemplated in the original pre-approval. In those instances, we still obtain the specific pre-approval of our Audit Committee before engaging our independent public accountants. The procedures require our Audit Committee to be informed of each service, and the procedures do not include any delegation of our Audit Committee s responsibilities to management. Our Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom this authority is delegated will report any pre-approval decisions to our Audit Committee at its next scheduled meeting.

For 2005, all of the services conducted by audit-related fees, tax fees and all other fees were pre-approved by our Audit Committee or the Chairman of the Audit committee pursuant to delegated authority.

Our Audit Committee Members:

J. French Hill, Chairman
Eugene E. Becker
Russell Cleveland
Kent H. Webb

Report of the Compensation Committee on Executive Compensation

Our Compensation Committee reviews and approves compensation and benefits policies and objectives, determines whether our executive officers, directors and employees are compensated according to these objectives, and carries out the responsibilities of our Board of Directors relating to the compensation of our executive officers. The Compensation Committee held six meetings with our Board of Directors during 2005. The primary goals of our Compensation Committee in setting executive officer compensation in 2004 were (i) to provide a competitive compensation package that would enable us to attract and retain key executives and (ii) to align the interests of our executive officers with those of our shareholders and also with our performance.

Compensation of our executive officers in 2005 was comprised primarily of salary, bonus and long-term awards under our equity compensation plans. In an effort to ensure the continued competitiveness of our executive compensation policies, the Committee, in setting base salaries and bonuses and making annual and long-term incentive awards, considered the prior levels of executive compensation, the compensation paid to executive of our competitors and the terms of employment agreements.

The Committee s intent in setting salaries was and is to establish competitive rates. The annual and long-term incentive portions of an executive s compensation are intended to achieve the Committee s goal of aligning any executive s interests with those of our shareholders and with our performance. These portions of an executive s compensation are placed at risk and are linked to the effect our operating results have on the market price of our common stock and effectively are designed (in the near and long-tern) to benefit our shareholders through increased value in the event favorable operating results are achieved, while not increasing executive compensation costs in the event favorable operating results are not achieved. As a result, during years of favorable operating results our executives are provided the opportunity to participate in the increase in the market value of our common stock, much like our shareholders. Conversely, in years of less favorable operating results, the compensation of our executives may be below competitive levels. Generally, higher-level executive officers have a greater level of their compensation placed at risk.

Base Salaries and Incentive Bonuses. At the direction of the Compensation Committee, in April 2004, we engaged an outside consultant to study the base salaries and other compensation of our executive officers, as compared to peer companies. That year, we entered into employment agreements with our two executive officers with whom we currently have agreements: Frank B. Apodaca, our President, Chief Operating Officer, and the President and CEO of our Access HealthSource, Inc. Subsidiary, and Robert L. Bintliff, our Chief Financial Officer. The employment agreements that we entered into with Mr. Apodaca and Mr. Bintliff at the commencement of each of their terms of employment provide for their base salaries. Their base salaries were negotiated by the Compensation Committee prior the entering into of the employment agreements based on the information available to the committee from the study of peer companies and other market information. Neither has received an increase in such base salary since the commencement of employment other than pursuant to their respectful employment agreements. Mr. Apodaca received a bonus of $50,000 as a result of the successful financial performance of our Access HealthSource subsidiary in 2005. The base salary of our Executive Vice President and General Counsel, Eliseo Ruiz was also primarily based on the 2004 study. In 2005, the committee concluded that his base salary in 2004 was below the peer group and made an appropriate adjustment.

Long-Term Equity Compensation Plan Grants. Stock option grants with respect to 2005 performance were made under our 1999 Stock Option Plan to three employees, including our executive officers. This Plan provides for the grant of stock options, with or without stock appreciation rights. The stock options granted in 2005 were without stock appreciation rights and have exercise prices equal to or higher than the fair market value of our common stock on the date of grant. Because the options were granted with an exercise price equal to the market value of our common stock at the time of grant, they provide no value unless our stock price exceeds the option exercise price. These stock options are accordingly tied to the stock price appreciation in our common stock value at the time of grant, rewarding the executives and other employees as if they share in the ownership of our common stock like our shareholders. The number of shares subject to options granted to each executive officer was determined based upon the expected value of our common stock and our historical practice of granting stock options to our executive officers and directors.

Chief Executive Officer Compensation. On June 10, 2005, our Board of Directors terminated the employment of Judith H. Henkels as our Chief Executive Officer and she was relieved of her duties. Ms. Henkels also resigned from our Board of Directors. The employment termination was an involuntary termination under her employment agreement, entitling her to severance compensation. Ms. Henkels 2005 compensation through her employment termination consisted of a base salary of $147,268 and $5,248 for personal use of an automobile. Because of the involuntary termination of Ms. Henkels employment, pursuant to negotiated settlement of her severance compensation under the terms of her employment agreement, Ms. Henkels was paid an additional $677,454 during 2005.

Ms. Henkels salary, prior to her termination, was established pursuant to her employment agreement. In 2003 her salary was increased in exchange for her agreement to waive her right, pursuant to her original employment agreement with us, to a bonus of as much as 15% of earnings before interest and taxes.

In June 2005, Nicholas J. Zaffiris, one of our Directors, was elected Non-Executive Chairman of our Board. During 2005, Mr. Zaffiris received $21,500 as regular director compensation and $75,000 for his services as acting Chief Executive Officer and Chairman of the Board of Directors. Also, on November 28, 2005, Mr. Zaffiris was granted stock options exercisable for the purchase of 20,000 shares of our common stock for $1.27 each. These stock options were immediately exercisable.

Other Benefits. Virtually all of our employees, including executive officers, are eligible to participate in our 401(k) plan and health insurance plan. Participation in these plans is offered and available on a non-discriminatory basis.

Conclusion. The Compensation Committee believes that our executive compensation arrangements and plans serve our best interests and those of our shareholders. The Committee takes very seriously its responsibilities respecting setting and determining the compensation arrangements with our executive officers. Accordingly, the Committee continues to monitor and revise the compensation arrangements and may formulate other plans and arrangements as necessary to ensure that our compensation system continues to meet our needs and those of our shareholders.

Compensation Committee Interlocks and Insider Participation. Other than Nicholas J. Zaffiris, the members of our Compensation Committee have not served as one of our officers or been in our employ. No member of the Compensation Committee has any interlocking relationship with any other company that requires disclosure under this heading. None of our executive officers have served as a director or member of the compensation committee of any entity that has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

Compensation Committee Members:

Eugene E. Becker, Chairman
Russell Cleveland
Kenneth S. George
Nicholas J. Zaffiris

Governance and Nominating Committee Matters

The Governance and Nominating Committee is responsible for monitoring and overseeing to the Board a set of corporate governance principles, including the evaluation of Board performance and selecting, evaluating, and recommending to the Board qualified candidates for election or appointment to the Board. The Governance and Nominating Committee was formed in 2004 as a combination of two previously existing committees. The Governance and Nominating Committee met two times in 2005. All members of the Governance and Nominating Committee are independent, as defined in the rules of The Nasdaq Stock Market, Inc.

Governance Guidelines and Code of Ethics. Our Board of Directors has long had in place good standards of corporate conduct and governance. In January 2003, our Board formalized these standards and adopted our code of ethics to ensure compliance with the Sarbanes-Oxley Act of 2002 and the listing standards of The Nasdaq Stock Market, Inc. Our code of ethics applies to all of our employees and directors, including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. The Governance and Nominating Committee and our Board continue to evaluate their roles and responsibilities with respect to Sarbanes-Oxley and the governance requirements of The Nasdaq Stock Market, Inc. A copy of the portion of our code of ethics, including that portion applicable to our principal executive officer, principal financial officer, and principal accounting officer or controller, and persons performing similar functions may be obtained by written request addressed to Eliseo Ruiz III, Corporate Secretary, Precis, Inc., 2040 North Highway 360, Grand Prairie, Texas 75050 and is available on our web site at www.precis-pcis.com under the caption Investor Relations.

Communications with Our Board. Shareholders desiring to communicate with members of our Board, including independent directors individually or as a group, may send correspondence to them in care of Eliseo Ruiz III, Corporate Secretary, Precis, Inc., 2040 North Highway 360, Grand Prairie, Texas 75050. We currently do not intend to have our Corporate Secretary screen this correspondence, but we may change this policy if directed by our Board due to the nature and volume of the correspondence.

We encourage each of our Board members to attend the Annual Meeting and the directors are expected to attend whenever reasonably possible. All Board members except Kenneth S. George attended our Annual Meeting of Shareholders in 2005.

Shareholder Nominations for Directors. A shareholder wishing to recommend a candidate for election to our Board of Directors at any annual meeting at which the Board of Directors has determined that one or more directors will be elected must submit a written proposal of his or her recommendation of the candidate to our Corporate Secretary at our principal executive office. The proposal must be received at our principal executive office not less than 120 calendar days before the date that our proxy statement was

released to shareholders in connection with the previous year s annual meeting. However, if we did not hold an annual meeting during the previous year, or if the date of this year s annual meeting has been changed by more than 30 days from the date of the previous year s meeting, then the deadline is a reasonable time before we begin to print and mail our proxy materials. For the 2007 annual meeting, this date is March 15, 2007. The proposal must set forth certain information concerning the proposing shareholder and the nominee, including the nominee s name and address, a representation that the proposing shareholder is entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to nominate the person specified in the notice, a description of all arrangements or understandings between the proposing shareholder and the nominee and any other person pursuant to which the nomination is to be made by the proposing shareholder, the other information that would be required to be included in a proxy statement soliciting proxies for the election of the nominee and the consent of the nominee to serve as a director if elected. The chairman of the annual meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

In considering individuals for nomination as directors, the Governance and Nominating Committee typically solicits recommendations from our current directors and may engage third-party advisors to assist in the identification and evaluation of candidates. The Committee has not established specific minimum qualities or skills that the Committee believes are necessary for one or more directors to possess. Instead, in evaluating potential candidates and incumbent directors for reelection, the Committee considers numerous factors, including judgment, skill, independence, integrity, experience with business and other organizations of comparable size, the interplay of the candidate s experience with other Board members, experience as an officer or director of another publicly-held company, understanding of management trends in general or in our industry, expertise in financial accounting and corporate finance, ability to bring diversity to the member group, community or civic service, knowledge or expertise not currently on the Board, shareholder perception, and to the extent that the candidate would be a desirable addition to the Board and any committee of the Board. No particular weight is given to one factor over another on a general basis, but rather the factors are weighted in relationship to the perceived needs of the Board at the time of nominee selection. The Committee will evaluate candidates recommended or properly proposed by our shareholders on the same basis as the Committee evaluates other candidates.

To date, the Governance and Nominating Committee has not received a director candidate recommendation from any shareholder (or group of shareholders) that beneficially owns more than 5% of our common stock.

Governance and Nominating Committee Members:

Eugene E. Becker
Kent H. Webb
Nicholas J. Zaffiris

Medical Committee Matters

The Medical Committee is responsible for the development and monitoring of medical provider relations. The Medical Committee was formed in 2003. The Medical Committee is currently comprised of Kent H. Webb and Nicholas J. Zaffiris.

Compensation of Directors

We compensate our directors as follows:

- Each non-employee member of our Board receives quarterly payments of $4,000;

- In addition, each non-employee member of our Board received $500 per quarter for each committee on which he or she serves and an additional $500 per quarter for each committee for which he or she serves as chairperson;
- We reimburse our directors for travel and out of pocket expenses in connection with their attendance at meetings of our Board and its committees;
- We may occasionally grant stock options to our Board members.

The quarterly payments referenced above began in the third quarter of 2003. In 2005, the following directors received board and committee service compensation in the following aggregate amounts:

Eugene E. Becker	$24,000
Russell Cleveland	$4,000
Kenneth S. George	$20,000
J. French Hill	$20,500
Kent H. Webb	$23,500
Nicholas J. Zaffiris	$21,500

Except for the stock option grant described below, our former director, Robert E. Jones, waived all rights to compensation for his service while a member of our Board. Mr. Jones resigned as a Director on March 30, 2006.

In 2005, the following board members received grants of stock options to purchase shares of our common stock. Except as indicated, all the stock options were exercisable on the date granted.

- On July 27, 2005, each of J. French Hill, Kenneth S. George, Eugene E. Becker and Nicholas J. Zaffiris was granted stock options exercisable for the purchase of 20,000 shares at $1.27 per share. The options were immediately exercisable.
- On July 27, 2005, Kent H. Webb was granted stock options exercisable for the purchase of 32,000 shares at $1.27 per share for his services as a member of our Board and as our Medical Director. The options were immediately exercisable.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers, and persons who own more than 10% of our common stock or other registered class of our equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Executive officers, directors and greater than 10% shareholders are required to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of the forms we received covering purchase and sale transactions in our common stock during 2005, we believe that except as provided below, each person who, at any time during 2005, was a director, executive officer, or beneficial owner of more than 10% of our common stock complied with all Section 16(a) filing requirements during 2005. We believe that National Center for Employment of the Disabled, Inc. became a shareholder of more than 10% of our common stock on August 10, 2005, but failed to file a report on Form 3 until March 27, 2006. Our Directors, Eugene E. Becker, Kenneth George, J. French Hill, Kent H. Webb, and Nicholas J. Zaffiris, were granted stock options on July 27, 2005 and did not report the awarding of the options until December 2, 2005, due to our error. Robert L. Bintliff, our Chief Financial Officer, purchased shares of our common stock on December 9, 2005, but did not report such purchase until December 14, 2005.

EXECUTIVE OFFICERS AND EXECUTIVE COMPENSATION

The following table sets forth information with respect to each of our executive officers and our Non-Executive Chairman of the Board of Directors. Our executive officers are elected by our Board of Directors and serve at its discretion.

Name	Age	Position
Nicholas J. Zaffiris(4)(1)(3)	43	Non-Executive Chairman of the Board of Directors
Frank B Apodaca	43	President, Chief Operating Officer and President and Chief Executive Officer of Access HealthSource, Inc.
Robert L. Bintliff	53	Executive Vice President and Chief Financial Officer
Eliseo Ruiz III	40	Executive Vice President and General Counsel and Secretary

For the business background of Mr. Zaffiris, see Board of Directors and Committee Matters, above. The following is a brief description of the business background of our other executive officers:

Frank B. Apodaca has served as our President since June 10, 2005, as President and C.E.O. of our subsidiary, Access HealthSource, Inc., since June 18, 2004, and as our Chief Operating Officer since February 23, 2005. Mr. Apodaca has been the President and C.E.O. of Access Healthsource, Inc. since 2000. Mr. Apodaca was President of Advantage Care Network, Inc., a privately-held network of healthcare providers, from 1995 to 1997. From 1997 to 2000, Mr. Apodaca was President of Apodaca Health Care Associates and of Frontera Associates, L.L.C., both privately-held companies providing healthcare services. He holds Group I Health, Life, HMO and AD&D insurance licenses from the Texas Department of Insurance, and Series 6 & 63 Securities Broker/Dealer licenses. He attended the University of Texas at El Paso from 1989 through 1993, majoring in business administration.

Robert L. Bintliff serves as our Executive Vice President and Chief Financial Officer and has been with us since August 2004. Mr. Bintliff s experience includes six years as an audit partner with Coopers & Lybrand (at which he was employed from 1985-1995), President and CEO of Jim Bridges Acquisition Company, a privately held firm (1995-1999) and as Chief Financial Officer for Comercis, Inc., a business software company that he helped take public (1999-2001). Earlier in his career, he served as a senior member of the financial management team of InterFirst Corporation, a $9 billion regional bank holding company (1981-1985). He had most recently operated his own accounting and management consulting practice in the Dallas / Fort Worth area (2001-2004). Mr. Bintliff holds a B.B.A. in accounting from Texas Christian University. He is a CPA licensed in Texas, and is a member of the American Institute of Certified Public Accountants.

Eliseo Ruiz III serves as our Executive Vice President and General Counsel and Secretary. He has been with us since December 2003. Mr. Ruiz has been a practicing attorney since November 1991. He most recently was Vice President and General Counsel of CyberBills, Inc. (and its successor entity) in San Jose, California from 1999 thru 2002. He also served as Associate General Counsel at Concentra, Inc. from 1998 thru 1999 and was in private practice from 1991 thru 1997. He serves as a member of the Board of Directors of the Consumer Health Alliance, the trade association for the health discount card industry. He holds an undergraduate degree and a law degree from the University of Texas at Austin. He is a member of the State Bar of Texas.

Executive Compensation

The following table sets forth the compensation during 2005, 2004 and 2003, paid or accrued, of our Chief Executive Officers, Chief Financial Officer, and the four other most highly compensated executive officers, including the executive officers of our subsidiaries.

Name and Principal Position	Year	Annual Compensation(1) Salary(2)	Bonus(3)	Other(4)	Long-Term Compensation Awards Shares of Common Stock Underlying Options Granted
Nicholas J. Zaffiris	2005	$	$	$ 96,500	20,000
Non-Executive Chairman of the Board of	2004			19,500	10,000
Directors	2003			18,000	
Frank B. Apodaca	2005	236,250	50,000	70,300	50,000
President, Chief Operating Officer	2004	129,808		60,800	100,000
and President and CEO of	2003				
subsidiary, Access HealthSource, Inc.					
Robert L. Bintliff	2005	185,712		7,800	
Executive Vice President and Chief	2004	59,538		2,580	100,000
Financial Officer	2003				
Judith H. Henkels	2005	147,268		677,454	
Former Chief Executive Officer	2004	246,385	30,000	10,497	10,000
and Director(5)	2003	174,065	5,000	10,497	10,000
David M. Wysong	2005	64,400	141,077		40,000
Former Vice President of Business	2004	64,400	111,951		20,000
Development(6)	2003	64,400	127,031		
Eliseo Ruiz III	2005	159,423			
Executive Vice President and	2004	129,615			100,000
General Counsel	2003	5,923			
Bobby Rhodes	2005	41,026		115,158	
Former Executive Vice President	2004	193,231	30,000		
for Provider Relations(7)	2003	112,156	37,790		10,000

(1) The named executive officer received additional non-cash compensation, prerequisites, and other personal benefits; however, the aggregate amount and value thereof did not exceed 10% of the total annual salary and bonus paid to and accrued for the named executive officer during the year.

(2) Dollar value of base salary (both cash and non-cash) earned during the year.

(3) Dollar value of bonus (both cash and non-cash) earned during the year.

(4) Includes amounts paid to or on behalf or the named executive as a car allowance and, for Mr. Apodaca s compensation related to non-competition provisions in his employment agreement. See notes (5) and (6) below for more information regarding the amounts attributed to Ms. Henkels and Mr. Rhodes.

(5) Ms. Henkels employment was terminated on June 10, 2005 and she resigned as a Director on that date. The amount under the designation Other includes (i) $5,248 paid as a car allowance, and

(ii) $677,454 paid as severance for her involuntary termination under her employment agreement, including transfer of ownership of an automobile previously provided by us to her.

(6) Mr. Wysong s employment was terminated on October 18, 2006. His bonus compensation was based on a percentage of sales revenue realized by our Access HealthSource subsidiary.

(7) Mr. Rhodes employment was terminated on February 2, 2005. The amount under the designation Other is the amount Mr. Rhodes received as severance, including transfer of ownership of an automobile previously provided by us to him.

Aggregate Option Grants and Exercises in 2005 and Year-End Option Values

Stock Option Grants and Exercises. During 2005, no stock options were exercised by our executive officers. The following table sets forth information related to options granted to the named executive officers during 2005.

	Individual Grants					
	Number of Options Granted	Percent of Total Options Granted to Employees in 2005(i)	Exercise Price Per Share	Expiration Date	Potential Realizable Value at Assumed Rates of Stock Price Appreciation for Option Term 5%	10%
Frank B. Apodaca(1)	50,000	50.0 %	$ 1.05	5/25/2010	$ 67,000	$ 85,000
David M. Wysong	10,000	40.0 %	$ 1.75	10/05/2010	$ 89,000	$ 113,000

(i) Options exercisable for the purchase of 100,000 shares of our common stock were issued to employees during 2005.

Aggregate Stock Option Exercise and Year-End and Option Values. The following table sets forth information related to the number and value of stock options held by the named executive officer at December 31, 2005. During 2005, no stock options exercisable for the purchase of our common stock were exercised by the named executive officers.

Name	Number of Unexercised Options as of December 31, 2005 Exercisable	Unexercisable	Value of Unexercised In-the-Money Options as of December 31, 2005(1) Exercisable	Unexercisable
Nicholas J. Zaffiris	30,000		$	$
Frank B. Apodaca	25,000	125,000	$	$ 49,000
Robert L. Bintliff	25,000	75,000	$	$
Judith H. Henkels	40,000		$	$
Eliseo Ruiz III	50,000	50,000	$	$
David M. Wysong	5,000	55,000	$	$

(1) The closing sale price of our common stock as reported on the Nasdaq Capital Markets on December 30, 2005 (the last trading day of 2005) was $1.54. The per-share value is calculated based on the applicable closing sale price per share, minus the exercise price, multiplied by the number of shares of common stock for which the options are exercisable. In those cases where the exercise price of the stock options exceeded the closing sale price of our common stock on December 30, 2005, the options did not have any value at December 31, 2005.

Equity Compensation Plans

We have two equity compensation plans, the 1999 Stock Option Plan and the 2002 Non-Employee Stock Option Plan. As Proposal Two we are seeking shareholder approval of the amendment and restatement of the 2002 Non-Employee Stock Option Plan. See Proposal Two Approval of Our Amended 2002 Non-Employee Stock Option Plan, above, for a description and other information related to the 2002 Non-Employee Stock Option Plan.

1999 Stock Option Plan

For the benefit of our employees, directors and consultants, we adopted the Precis Smart Card Systems, Inc. 1999 Stock Option Plan (the stock option plan or the plan) in 1999. The plan provides for the issuance of options intended to qualify as incentive stock options for federal income tax purposes to our employees and non-employees, including employees who also serve as our directors. Qualification of the grant of options under the plan as incentive stock options for federal income tax purposes is not a condition of the grant and failure to so qualify does not affect the ability to exercise the stock options. The number of shares of common stock authorized and reserved for issuance under the plan is 1,400,000.

Our board of directors administers and interprets the plan (unless delegated to a committee) and has authority to grant options to all eligible participants and determine the types of options granted, the terms, restrictions and conditions of the options at the time of grant.

The exercise price of options may not be less than 85% of the fair market value of our common stock on the date of grant of the option and to qualify as an incentive stock option may not be less than the fair market value of common stock on the date of the grant of the incentive stock option. Upon the exercise of an option, the exercise price must be paid in full, in cash, in our common stock (at the fair market value thereof) or a combination thereof.

Options qualifying as incentive stock options are exercisable only by an optionee during the period ending three months after the optionee ceases to be our employee, a director or non-employee service provider. However, in the event of death or disability of the optionee, the incentive stock options are exercisable for one year following death or disability and in the event of the retirement of the optionee, the Board of Directors may designate an additional period for exercise. In any event options may not be exercised beyond the expiration date of the options. Options may be granted to our key management employees, directors, key professional employees or key professional non-employee service providers, although options granted non-employee directors do not qualify as incentive stock options. No option may be granted after December 31, 2008. Options are not transferable except by will or by the laws of descent and distribution.

All outstanding options granted under the plan will become fully vested and immediately exercisable if (i) within any 12-month period, we sell an amount of common stock that exceeds 50% of the number of shares of common stock outstanding immediately before the 12-month period or (ii) a change of control occurs. For purposes of the plan, a change of control is defined as the acquisition in a transaction or series of transactions by any person, entity or group (two or more persons acting as a partnership, limited partnership, syndicate or other group for the purpose of acquiring our securities) of beneficial ownership of 50% or more (or less than 50% as determined by a majority of our directors) of either the then outstanding shares of our common stock or the combined voting power of our then outstanding voting securities.

Indemnification of Officers and Directors

As permitted by the provisions of the Oklahoma General Corporation Act, our Certificate of Incorporation eliminates the monetary liability of our directors for a breach of their fiduciary duties as directors. However, these provisions do not eliminate a director s liability

- for a breach of the director s duty of loyalty to us or our shareholders,
- for acts or omissions by a director not in good faith or which involve intentional misconduct or a knowing violation of law,
- arising under Section 1053 of the Oklahoma General Corporation Act relating to the declaration of dividends and purchase or redemption of shares in violation of the Oklahoma General Corporation Act, or
- for any transaction from which the director derived an improper personal benefit.

In addition, these provisions do not eliminate liability of a director for violations of federal securities laws, nor do they limit our rights or your and our other shareholders rights, in appropriate circumstances, to seek equitable remedies including injunctive or other forms of non-monetary relief. These remedies may not be effective in all cases.

Our Bylaws require us to indemnify our directors and officers. Under these provisions, when an individual in his or her capacity as an officer or a director is made or threatened to be made, a party to any suit or proceeding, the individual may be indemnified if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to our best interest. Our Bylaws further provide that this indemnification is not exclusive of any other rights to which the individual may be entitled. Insofar as indemnification for liabilities arising under our Bylaws or otherwise may be permitted to our directors and officers, we have been advised that in the opinion of the United States Securities and Exchange Commission the indemnification is against public policy and is, therefore, unenforceable.

On December 29, 2000, we entered into indemnification agreements with each of our directors and executive officers. Under these indemnification agreements we agreed to pay on behalf of the indemnity, and his or her executors, administrators and heirs, any amount that he or she is or becomes legally obligated to pay because the

- indemnity served as one of our directors or officers, or served as a director, officer, employee or agent of a corporation, partnership, joint venture, trust or other enterprise at our request or
- indemnity was involved in any threatened, pending or completed action, suit or proceeding by us or in our right to procure a judgment in our favor by reason that the indemnity served as one of our directors or officers, or served as a director, officer, employee or agent of a corporation, partnership, joint venture, trust or other enterprise at our request.

To be entitled to indemnification, indemnity must have acted in good faith and in a manner that he or she reasonably believed to be in or not opposed to our best interests. In addition, no indemnification is required if the indemnity is determined to be liable to us unless the court in which the legal proceeding was brought determines that the indemnity was entitled to indemnification. The costs and expenses covered by these agreements include expenses of investigations, judicial or administrative proceedings or appeals, amounts paid in settlement, attorneys fees and disbursements, judgments, fines, penalties and expenses of enforcement of the indemnification rights.

Employment Arrangements and Lack of Keyman Insurance

As of December 31, 2005, we had employment agreements with each of Frank B. Apodaca, Robert L. Bintliff and Coleman Orr. Mr. Orr s employment was terminated on May 31, 2006.

Mr. Apodaca s employment agreement was entered into on June 18, 2004 for a three-year term beginning on that date. It provides for a current base annual salary of $266,063. Mr. Bintliff s employment agreement was entered into on November 1, 2004, for a three-year term beginning on that date. It provides for a current base annual salary of $208,013.

These agreements provide, among other things,

- entitlement to fringe benefits including medical and insurance benefits and participation in our 401(k) plan and any other benefit plan we establish, and, in the case of Mr. Apodaca and Mr. Bintliff, a car allowance of up to $650 per month; and

- limited salary continuation during any period of temporary or permanent disability, illness or incapacity to substantially perform the services required under the agreement or in the event of employee s death and involuntary termination.

These agreements require the employee to devote the required time and attention to our business and affairs necessary to carry out their responsibilities and duties. The employee may not hold executive positions with other entities or own interests in, manage or otherwise operate other businesses. Mr. Apodaca was authorized to spend up to 20% of his time attending to his duties as an executive officer or a director of certain nonprofit entities until July 26, 2005 when we agreed with him that such authorization was no longer effective.

The employment of Messrs. Apodaca and Bintliff may be terminated by us for good cause. Under both of their employment agreements, good cause includes, among other things, commitment of a felony, willful failure to take actions permitted by law and necessary to implement our written policies or to otherwise perform his or her duties, willful misconduct materially injurious to us or our subsidiaries, and violations of the Foreign Corrupt Practices Act.

As of the date of this Proxy Statement, we do not maintain any keyman insurance on the life or disability of our executive officers. We will consider on a periodic basis whether we will be required to maintain keyman insurance.

PROPOSAL FIVE

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

Our Board of Directors has appointed Hein & Associates LLP as our independent registered public accounting firm for the year ending December 31, 2006. Hein & Associates LLP has been our independent registered public accounting firm and auditor since December 19, 2005 and the independent registered public accountants of Insurance Capital Management USA Inc. since July 2006. A proposal will be presented at the Annual Meeting asking you and our other shareholders to ratify the appointment of Hein & Associates LLP as our independent registered public accounting firm. If our shareholders do not ratify the appointment of Hein & Associates LLP, our Board will reconsider the appointment.

A representative of Hein & Associates LLP will be present at the Annual Meeting. This representative will be given the opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

Required Vote

The affirmative vote of a majority of the shares present in person or by proxy at the Annual Meeting and voting on this proposal is required for the adoption of this proposal. Abstentions and broker non-votes will not be tabulated as negative votes on this proposal, but will be included in computing the number of shares present for purposes of determining the presence of a quorum for the Annual Meeting and whether this proposal has received the vote of a majority of the shares present at the Annual Meeting.

Recommendation of Our Board of Directors

Our Board of Directors recommends a vote **FOR** ratification of the appointment of Hein & Associates LLP as our independent registered accounting firm. Proxies solicited by our Board of Directors will be so voted unless shareholders specify a contrary choice.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Set forth below is a description of transactions entered into between us and certain of our officers, directors and shareholders during 2006, 2005 and 2004. Certain of these transactions may result in conflicts of interest between us and such individuals. Although our officers and directors have fiduciary duties to us, you and our other shareholders, there can be no assurance that conflicts of interest will always be resolved in our favor or in favor of our shareholders.

Frank B. Apodaca s Relationship with NCED. On June 18, 2004, we acquired Access HealthSource, Inc. (Access) from National Center for Employment of the Disabled, Inc. (NCED) of which Robert E. Jones, one of our former directors served as President, Chief Executive Officer and Chairman of the Board and Frank B. Apodaca served as a director. Mr. Apodaca serves as our President and Chief Operating Officer, and is President and Chief Executive Officer of Access. We acquired Access for a purchase price of up to $9,350,000 plus payment of acquisition costs. The purchase price was and is in part based upon a multiple of 3.22 of the earnings before interest, taxes, depreciation and amortization of Access (EBITDA) for 2004, 2005 and 2006. The total purchase price through December 31, 2005 is $8,129,000 of which $3,631,000 was paid by issuance and delivery of 2,145,483 shares of our common stock. Prior to our acquisition of Access, Mr. Apodaca entered into an agreement with NCED pursuant to which he is entitled to receive 10% of the Access purchase price, including 10% of the common stock shares issued to Access. NCED is now known as Ready One Industries. Mr. Apodaca no longer has any affiliation with Ready One Industries.

PRICE RANGE OF OUR COMMON STOCK; DIVIDENDS

Common Stock Market Prices. Our common stock is traded in the over-the-counter market and is quoted on Nasdaq Capital Markets under the symbol PCIS. The closing sale prices reflect inter-dealer prices without adjustment for retail markups, markdowns or commissions and may not reflect actual transactions. The following table sets forth the high and low closing sale prices of our common stock during the calendar quarters presented as reported by the Nasdaq Capital Markets.

Quarter Ended	Closing Sale Price Common Stock High	Low
September 30, 2006	$ 2.46	$ 1.58
June 30, 2006	$ 1.69	$ 1.12
March 31, 2006	$ 1.67	$ 1.25
December 31, 2005	$ 1.97	$ 1.54
September 30, 2005	$ 1.51	$ 1.01
June 30, 2005	$ 1.94	$ 0.78
March 31, 2005	$ 2.72	$ 1.69
December 31, 2004	$ 3.04	$ 2.25
September 30, 2004	$ 3.12	$ 2.32
June 30, 2004	$ 3.89	$ 2.48
March 31, 2004	$ 4.50	$ 3.66

On June 12, 2006, the last trading day before we announced the merger-acquisition of ICM, our common stock closed at $1.35 per share as quoted on the Nasdaq Capital Markets. On ,

2006, the closing sale price of our common stock was $. On , 2006, we had approximately [255] record holders of our common stock.

The market price of our common stock is subject to significant fluctuations in response to, and may be adversely affected by:

- variations in quarterly operating results;
- changes in earnings estimates by analysts;
- adverse earnings or other financial announcements of our customers or clients;
- announcements and introductions of product or service innovations or new contracts by us or our competitors; and
- general stock market conditions.

In order to continue inclusion of our common stock on the Nasdaq Capital Markets the minimum listing requirements must be met. If we fail to meet the minimum requirements, our common stock will be de-listed by Nasdaq and will become tradable on the over-the-counter market, which will adversely affect the sale price of our common stock. In this event, our common stock will then be traded in the over-the-counter market and may become subject to the penny stock trading rules.

The over-the-counter market is volatile and characterized as follows:

- the over-the-counter securities are subject to substantial and sudden price increases and decreases;
- at times the price (bid and ask) information for the securities may not be available;
- if there are only one or two market makers, there is a risk that the dealers or group of dealers may control the market in our common stock and set prices that are not based on competitive forces; and
- the actual sale price ultimately obtained for a block of stock may be substantially below the quoted bid price.

Consequently, the market price of our common stock will be adversely affected if our common stock ceases to be included on the Nasdaq Capital Market.

Dividend Policy

Our dividend policy is to retain our earnings, if any, to support the expansion of our operations. Our board of directors does not intend to pay cash dividends on our common stock in the foreseeable future. Any future cash dividends will depend on future earnings, capital requirements, our financial condition and other factors deemed relevant by our board of directors.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth as of December 31, 2005, information related to each category of equity compensation plan approved or not approved by our shareholders, including individual compensation arrangements with our non-employee directors. The equity compensation plans approved by our shareholders are our 1999 Stock Option Plan, 2002 Stock Option Plan, and 2002 IMR Stock Option Plan. All stock options, warrants and rights to acquire our equity securities are exercisable for or represent the right to purchase our common stock.

Plan Category	Number of Shares Underlying Unexercised Options and Warrants	Weighted-Average Exercise Price of Outstanding Options and Warrants	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans(1)
Equity compensation plans approved by our shareholders:			
2002 Non-employee stock option plan	500,000	$ 3.87	
2002 IMR stock option plan	116,354	$ 4.66	
1999 stock option plan	598,500	$ 2.95	746,794
	1,214,854	$ 3.49	746,794
Equity compensation plans not approved by our shareholders:			
Stock option grants to non-employee directors in 2000 and 2001(2)	52,000	$ 3.55	
Excess grants under our 2002 non-employee stock option plan	20,000	$ 3.87	
Total	1,286,854	$ 3.51	746,794

(1) The number of shares of our common stock remaining available for issuance under equity compensation plans is after excluding the number of securities to be issued upon exercise of outstanding options and warrants.

(2) The stock options were granted in lieu of cash compensation for the services of our non-employee directors. The purchase price of the shares was equal to or in excess of the closing sale price of our common stock on the grant date of the stock option grants.

Unregistered Securities Sold During Preceding Three Years

We acquired Access in June 2004 from National Center for Employment of the Disabled, Inc., a Texas nonprofit corporation (NCED), for a purchase price of up to $9,350,000 plus payment of acquisition costs. The purchase price is in part based upon a multiple of 3.22 of the earnings before interest, taxes, depreciation and amortization of Access (EBITDA) for 2004 through 2006. The total consideration paid to NCED through June 30, 2006 was $8,907,000 which included the issuance of 2,145,483 shares of our common stock. Those common stock shares were issued and distributed pursuant to the registration exemptions of Rule 506 of Regulation D of the Securities and Exchange Commission, Section 4(2) of the Securities Act of 1933, and applicable state securities laws. Pursuant to Registration Statement on Form S-3 (Number 333-130978), we registered 1,836,989 of the shares issued to NCED. No sales commissions or other remuneration or fees were paid in connection with the issuance and delivery of those shares.

INSURANCE CAPITAL MANAGEMENT USA INC.

ICM provides web-based technology and specialty products that enable insurance companies to improve their product distribution and marketing. Its operations principally consist ofmprise the sale and marketing of individual health insurance products and related benefit plans, primarily through a broad network of independent agency channels in three markets:

- Major medical / individual health insurance
- Senior health insurance/ managed care
- Specialty medical and benefit plans for affinity groups, associations, employer groups and other groups

ICM s Background and Strategy

ICM s operations are conducted and consolidated under its wholly owned subsidiary, Insuraco USA, LLC, an intermediate holding company. Insuraco began to generate revenue in 2004 and, after incurring start-up losses through 2005, is generating earnings in 2006.

ICM was able to become uniquely positioned by leveraging founder Peter W. Nauert s substantial experience and industry contacts to recruit a large number of insurance agents and build a broad product portfolio in a relatively short period of time, while combining the advantages of electronic technology and web-based services to shorten product development and implementation time. Electronic technology also created a competitive edge by increasing the sales efficiency of the insurance agents offering ICM provided products and services. This sales efficiency was enhanced through Mr. Nauert s knowledge of the insurance and financial service markets that provided the genesis of a number of new products and product adaptations that he has successfully promoted to the insurance companies and carriers represented by the ICM distribution channels.

Through the end of the third quarter of 2006, ICM also sold and marketed health insurance products through Insurance Producers Group of America Agency (IPA), a career agency channel that commenced operations in the second half of 2005 and continues to incur start-up losses. Effective September 29, 2006, ICM transferred its ownership of IPA to the Peter W. Nauert Revocable Trust (ICM s principal shareholder). Thus, IPA will not be acquired by Precis through the proposed merger.

In this discussion, when we refer to ICM, the reference is inclusive of the operations of ICM, and those of Insuraco, that will be acquired by us in the proposed merger-acquisition of ICM and its subsidiaries. This excludes IPA and certain other business activites formerly conducted within ICM, unrelated to the business being acquired.

Insuraco s revenue increased from $14,000 in 2003, to $1,227,000 in 2004,and $4,076,000 in 2005. June 30, 2006 year-to-date revenue of $2,422,000 compares to $1,828,000 for the corresponding prior year period. The increases were driven by the commencement and growth in major medical, Medicare supplement and limited benefit plan sales in 2004 and 2005 and the retention, in 2005, of the majority of the policies sold during 2004. The 2006 revenue increase is driven by growth in the major medical business. Insuraco s revenue is primarily from sales commissions paid to it by the insurance companies it represents; these sales commissions are generally a percentage of premium revenue. Insuraco intends to continue to grow the sales of its established products while introducing new products and services.

Insuraco s strategy is to

- continue to recruit new agents and retain the current agents selling Insuraco s products and services and also continue to provide increasingly valuable services to insurance agents and their agencies;

- continue to develop products for consumers to provide health care savings and/or insurance protection to families and individuals, including Americans in their retirement years;

- enhance the product portfolio distributed by Insuraco by adding our products and new products developed on our current product platform;

- expand into new states where Insuraco is not currently marketing to any significant degree (including states such as Florida, California and the upper Northeast); and

- expand the number of insurance carriers represented by Insuraco.

ICM s Markets

The markets that ICM participates in are large and growing. At the same time, consumer needs in these markets are changing, which requires successful marketers to be flexible and swift in their ability to adjust products and benefits.

ICM s three principal markets are:

- **Major medical / individual health insurance**

ICM distribution channels primarily target small business owners and self-employed individuals and families in this market. According to the U.S. Census Bureau, in 2003, there were over 18 million firms with no employees in the U.S. There were also over 3.75 million firms with fewer than 10 employees (with a total of 12.5 million employees). [Source: U.S. Census Bureau, Statistics of U.S. Businesses] In addition, small businesses have accounted for 60-80% of net new jobs annually over the last decade [Source: Small Business Administration Office of Advocacy, June 2006].

ICM successfully competes with other marketing organizations and insurance company marketers in this market by focusing on product development to meet consumer needs, utilizing multiple insurance carriers and enhancing opportunities and services for its independent agents and their agencies.

- **Senior health insurance, managed care, life insurance and annuity**

The age 65 and over segment of the U.S. population is expected to grow from 35 million in 2000 to over 40 million by 2010, comprising 13% of the total population by 2010. [Source: U.S. Census Bureau, 2004] While the federal Medicare program covers a portion of health care expenses for senior Americans, the gaps in coverage provide a significant market for supplemental plans.

ICM successfully competes with other marketing organizations and insurance company marketers in this market by focusing on providing a range of product offerings and multiple insurance carriers to meet the benefit and budget needs of consumers. This product range includes traditional Medicare supplement plans, as well as Medicare Advantage plans that save consumers money by designating the use of certain medical providers and Part D prescription drug plans.

- **Specialty medical and benefit plans for affinity groups, associations, employer groups and other groups**

The market for specialty medical and benefit plans includes uninsured, underinsured and insured individuals and families. While many of these people either cannot afford or cannot qualify for traditional major medical plans, ICM has developed a variety of specialty insurance and benefit plans specifically targeted to meet the needs of this market. Providing a wide range of features and budget price points, ICM has targeted this market through multiple carriers and by developing its own product packages. In addition, ICM will add the Care Entrée s program and medical discount plans to its distribution channels to further increase its product portfolio for this market.

The uninsured: In 2005, there were 46.6 million uninsured Americans. While the lack of insurance is much more common among people with low incomes, the new census data showed that 8.5% of people with incomes over $75,000 were uninsured. [Source: U.S. Census Bureau and Center on Budget and Policy Priorities, August 2006]

The insured and underinsured: In 2005, 59.5% of the U.S. population participated in employer-sponsored medical insurance plans, showing a steady year-by-year decrease from 62.6% in 2001. [Source: U.S. Census Bureau and Center on Budget and Policy Priorities, August 2006] In addition, data from the Kaiser Family Foundation show that employers are requiring employees to contribute more in cost-sharing (premiums, deductibles and/or co-payments) for their health insurance. [Source: Kaiser Family Foundation/Health Research and Educational Trust, Employer Health Benefits, 2005, September 2005] These changes in employer-sponsored coverage also provide an increasing market for specialty plans that supplement or fill deductible or other gaps in coverage for millions of Americans.

ICM s Distribution Channels and Operating Divisions

ICM s independent agent network has grown to 5,000 agents across the nation and is currently generating approximately $60 million of annualized new sales (submitted annualized premium for all products). Now contracted with over 15 insurance and managed care carriers, Insuraco has established a diverse product portfolio across its distribution channels. It is positioned to recruit additional agents and continue to expand its carrier and product mix.

ICM s operations are comprised of three distribution channels and a specialty product development subsidiary:

- **America s Health Care/Rx Plan (AHCP)** Distributing major medical and short-term medical products to small business owners, self-employed and other individuals and families through approximately 2,100 independent agents.

- **Adult Care Plans/Rx America (ACP)** Distributing supplemental medical, life and managed care products to senior Americans through approximately 2,900 independent agents.

- **National Direct** Distributing major medical and specialty health plans through telesales units.

- **American Benefit Resource/Rx (ABR)** Specializing in the development and wholesale marketing of specialty health plans.

ICM has marketing agreements with a number of insurance and managed-care companies allowing ICM to sell the products of these companies. For some of these companies, ICM s subsidiaries represent one of their largest distribution channels. In addition, a number of these marketing agreements provide ICM subsidiaries with exclusive distribution of proprietary, branded products of the insurance company. In these cases, ICM has worked closely with the insurance company to develop products designed specifically for the market and the distribution channel utilized by ICM.

ICM s primary insurance companies in 2005 and 2006 have been:

Insurance Company	Products	2005 ICM Revenue {$ in millions}	2006 ICM Revenue {$ in millions} (through June 30)
Continental General Insurance Company	Proprietary Major Medical; Proprietary HSA-qualified High Deductible plans	$ 1.34	$ 0.70
World Insurance Company	Proprietary Major Medical; HSA-qualified High Deductible plans	$ 0.16	$ 0.26
Empire Fire and Marine	Proprietary Major Medical; Proprietary HSA-qualified High Deductible plans	$ 0.23	$ 0.34
Central Reserve Life Insurance Company	Medicare Supplement; Final Expense Life Insurance	$ 1.68	$ 0.77
Companion Life Insurance Company	Proprietary Mini-Medical plan	$ 0.61	$ 0.29
Other Carriers		$ 0.06	$ 0.06
	Total Revenue	$ 4.08	$ 2.42

ICM distribution channels also market the following recently introduced products and carriers (which will generate revenue in the second half of 2006 and in 2007)

Guarantee Trust Life:	Proprietary Major Medical and HSA-qualified High Deductible plans
Golden Rule Insurance Company:	Major Medical and HSA-qualified High Deductible plans
World Corp Insurance Company:	Medicare Supplement plans
The Wellpoint family of companies:	Senior Managed Care, Medicare Advantage products and Medicare Advantage Medical Savings Accounts (MSAs)

In addition, ICM has executed agreements with or is in negotiations with a number of other national insurance carriers to market specific products nationwide or in specified market areas.

ICM has broad national sales coverage. In 2005 14 states accounted for approximately 85% of ICM s revenue and an additional 32 states accounted for the remaining 15%. The largest state concentration is in Arizona. The table below sets forth estimated 2005 revenue by state:

State	2005 Revenue {$ in millions}	%
Arizona	$ 0.63	15.4 %
Illinois	$ 0.43	10.6 %
Texas	$ 0.41	10.1 %
Pennsylvania	$ 0.32	7.9 %
Colorado	$ 0.27	6.6 %
Tennessee	$ 0.25	6.2 %
North Carolina	$ 0.24	6.0 %
Ohio	$ 0.19	4.6 %
Michigan	$ 0.16	3.9 %
Wisconsin	$ 0.12	3.0 %
Indiana	$ 0.11	2.8 %
West Virginia	$ 0.10	2.5 %
Nebraska	$ 0.10	2.5 %
Virginia	$ 0.10	2.4 %
Sub-total	$ 3.47	84.5 %
All Other States	$ 0.61	15.5 %
Total	$ 4.08	100.0 %

ICM s Products for Consumers

ICM has agreements with insurance companies to access products that Insuraco offers for sale through its various distribution channels. The current portfolio of these insurance and financial service products includes the following:

- ***Major medical / individual health insurance market***

Major Medical Health Insurance

- ICM s major medical products include catastrophic, comprehensive, and basic coverage options. These may include PPO benefit plans, traditional indemnity health insurance plans, and one-deductible plans.

HSA-Qualified High Deductible Plans

- Recently enacted federal legislation allows individuals who establish Health Savings Accounts (HSAs) to deduct from their income taxes the premiums they pay for certain high-deductible polices, thus reducing the net cost of those policies. ICM markets high deductible insurance plans that qualify for the benefits of HSAs.

Short Term Medical Plans

- ICM can provide individuals who are between jobs or who are recent graduates with low cost, limited health insurance for a limited period of time, typically six months or one year.

- ***Senior health insurance, managed care, life insurance and annuity***

Medicare Supplement Plans

- Our Medicare supplement plans provide benefits that supplement the primary benefits offered by Medicare. According to the Centers for Medicare and Medicaid Services (CMS), the number of Medicare enrollees, age 65 and over, more than doubled between 1966 and 2004, growing to 42 million from 19 million.

Medicare Advantage Plans

- Our Medicare Advantage Plans are health plan options that are part of the Medicare program. Medicare Advantage Plans include:

- Medicare Health Maintenance Organization (HMOs)

- Preferred Provider Organizations (PPO)

- Private Fee-for-Service Plans

Consumers who join a Medicare Advantage Plan generally receive extra benefits and lower co-payments than in the original Medicare plan. However, they may have to see doctors that belong to the plan or go to certain hospitals to get services.

To join a Medicare Advantage Plan, consumers must have Medicare Part A (hospital insurance) and Part B(medical insurance) They have to pay their monthly Medicare Part B premium to Medicare. In addition, they may have to pay a monthly premium to the Medicare Advantage Plan for the extra benefits that they receiveoffer.

Part D Prescription Plans

- People who have Medicare Part A or Medicare Part B can purchase insurance to pay for part of their prescription drugs. These plans are provided through private insurance companies and are available to eligible seniors who enroll within certain enrollment and eligibility periods.

Final Expense Insurance Plans

- Relatively small face amount life insurance plans designed for senior Americans to help pay for funeral costs, medical bills and other final expenses.

- ***Specialty medical and benefit plans for affinity groups, associations, employer groups and other groups***

Mini-Medical Plans

- These plans are sometimes referred to as scheduled benefit, limited benefit or defined benefit policies. These policies are less expensive than traditional comprehensive healthcare insurance and usually require the member to undergo little or no medical underwriting. As such, they are available to all individuals, regardless of health condition. The policies usually operate on an indemnity basis, reimbursing the member for certain of his or her incurred costs. Sometimes, the policies allow the benefit to be assigned directly to the provider, eliminating the need for the member to pay the provider directly and then seek reimbursement. These policies pay a certain amount for designated healthcare services. For instance, a member could choose a program entitling him or her to $250, $500 or $1000 per day of hospitalization, with additional scheduled benefits for intensive care stays and surgery, for up to 180 days in a calendar year.

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In summary, ICM s primary current products are distributed as follows:

Product	Distribution Channel(s)
Major Medical Health Insurance	AHCP, National Direct
One-Deductible Plans	AHCP, National Direct
HSA-Qualified High Deductible Plans	AHCP, National Direct
Mini-Medical Plan	AHCP
Short Term Medical	AHCP, National Direct
Simplified-Issue Indemnity Plan	AHCP, ACP , National Direct
Medicare Supplement	ACP
Senior Managed Care	ACP
Final Expense/Senior Life Insurance	ACP

New Products:

ICM subsidiaries are adding our products to theirICM s distribution channels. This includes Precis medical discount plans. ICM also assisted us in developing new versions of these plans, including products that supplement our discount plans with insured benefits.

ICM s Services For Agents and Agencies

ICM provides sales and marketing services to its national network of independent agency channels by:

Leveraging its industry expertise and relationships to secure access to proprietary health insurance products.

• ICM has specific industry expertise in designing products that meet the needs of the consumer and that fit well within the suite of products that are sold by insurance agents and their agencies. ICM has excellent relationships with numerous well established, highly-rated insurance companies, including: Central Reserve Life Insurance Company (Medicare Supplement products, Senior Life insurance)

- Continental General Insurance Company (Major Medical, HSA-qualified High Deductible Plans)
- World Insurance Company (Major Medical, HSA-qualified High Deductible Plans)
- Empire Fire and Marine (Major Medical, HSA-qualified High Deductible Plans)
- Companion Life Insurance Company (Mini-Medical Plans)
- Guarantee Trust Life Insurance Company (Major Medical, HSA-qualified High Deductible Plans)
- Golden Rule Insurance Company (Major Medical, HSA-qualified High Deductible Plans)
- The Wellpoint family of companies (Senior Managed Care, Medicare Advantage products and Medicare Advantage Medical Savings Accounts (MSA s))

Utilizing multiple carriers for specific product lines.

- ICM has strategically established marketing relationships with multiple insurance companies to provide a wider distribution across the U.S. This strategy is designed to maximize marketing penetration with competitively priced products on a state-by-state basis. This strategy is also designed to provide increased flexibility and security for ICM s marketing channels based on ongoing changes in carriers product, pricing and marketing plans.

Utilizing web-based technology to streamline the agent appointment and sales application processes with the insurance carriers.

ICM s integrated agent portal gives agents access to:

- Online real-time rate quoting
- Online agent recruiting, licensing, and contracting
- Online insurance application submission
- Online lead ordering and delivery
- Online access to brochures, applications, and marketing materials

The benefits of such services include:

- A streamlined underwriting process which automatically limits application submissions, increasing the issue and placement rate on submitted business.
- A proprietary pre-scrubbed agent enrollment process that ensures complete and accurate agent contracting.
- An efficient way for agents to sell and submit applications over the phone.
- A central repository that agents visit frequently to obtain important documents and updated materials.

Providing lead distribution programs to its agents.

For certain of its distribution channels, ICM uses an electronic system designed to efficiently connect insurance agents with high-quality leads. The leads are supplied by select vendors and are then compiled, sorted, and offered to agents via its on-line lead ordering and delivery system.

Leads are generated through:

- Telemarketing
- Internet sites
- Direct mail

Providing competitive agent commission rates supplemented by various agent incentive programs.

ICM provides a comprehensive portfolio of incentives that attract agents, including annual conventions, sales contests, year-end bonuses, lead programs, and production club membership programs. By leveraging ICM s sales management and marketing expertise, insurance companies can focus on the administration of their products while ICM takes care of harnessesing and motivatesing thean agent force to sell.

Providing home office support, including agent and product training, a variety of marketing materials and compilation of weekly newsletters that deliver important news and updates to its agents.

ICM provides professional, quality training for all of its independent agents and alternative distribution channels. Its training programs include in-house and on-site training schools, DVD programs and webcast sessions. In addition to product knowledge, ICM trains its independent agents in market conduct standards, regulatory compliance requirements, and sales techniques.

ICM creates, prints, and distributes a variety of marketing materials to promote its products, including magazine advertising, flyers, postcards, letters, e-mail blasts, brochures, and more. ICM delivers important news and updates to its agents on a timely basis with weekly e-mail newsletters. These newsletters promote, inform, and entertain with a combination of news bulletins, agent reports, and motivational articles.

ICM s Dependency on Insurance Companies, Agents and a Key Executive

ICM and its subsidiaries must develop and maintain relationships with insurance companies that offer insurance products and financial services within each product and service market in which they are offered and distributed. Development and maintenance of these relationships with the insurance companies is in part based on professional relationships and the reputation of the management and marketing personnel of ICM and its subsidiaries. Consequently, these relationships may be adversely affected by events beyond the control of ICM and its subsidiaries, including departures of key personnel and alterations in professional relationships. The loss of an insurance carrier or company that provides specialty insurance products and financial services may not be replaced on a timely basis, if at all. This loss for any reason could have a material adverse effect on ICM and its subsidiaries (as well as ours following completion of the merger-acquisition) business, financial condition and results of operations. Of the eight insurance companies with whom ICM has strategic relationships, a substantial portion of the revenue of ICM (more than 95% during both 2005 and the six months ended June 30, 2006) was attributable to the insurance products and financial services offered by five of the companies. Thus, ICM and its subsidiaries are dependent on a relatively small number of insurance companies to provide product and financial services for sale through ICM s distribution channels.

The insurance products and financial services offered by ICM and its subsidiaries are similar to or directly in competition with products and services offered by insurance companies and insurance agencies (and their agents) and other marketing and distribution competitors through all available channels of distribution. Furthermore, some of the insurance companies that provide the products and services offered by ICM and its subsidiaries may offer and distribute the same or very similar insurance products and financial services, either directly or through captive and independent insurance agencies, in direct competition with ICM and its subsidiaries.

The success and continued growth of the ICM and its subsidiaries principally depend in large part upon their ability to attract, retain and motivate the independent insurance agencies and their agents for the marketing of the insurance products and financial services offered by the ICM and its subsidiaries. The insurance agencies are not captive agencies and the loss of an independent insurance agency (and its agents) within a geographic market area or segment may not be replaced on a timely basis, if at all. Also, the ability of the ICM and its subsidiaries to attract and retain independent insurance agencies and their agents could be negatively affected by adverse publicity relating to the ICM and its subsidiaries, their products and services or their operations and members of management.

Furthermore, of the 5,000 independent agents with whom ICM currently has active distribution and marketing relationships, a substantial portion of the revenue of ICM (80% both during 2005 and the six months ended June 30, 2006) was attributable to the product sales and financial services through approximately 1,000 independent insurance agents. The majority of these agents report through approximately 20 independent insurance agencies that ICM has contracted with. Thus, a small number of independent insurance agencies are responsible for a very significant percentage of total insurance products and financial services revenue of ICM.

The independent insurance agencies and their agents that market the insurance products and financial services of ICM and its subsidiaries typically offer and sell a variety of insurance products and financial services, some of which may directly compete with those of ICM and its subsidiaries. These agencies and their agents may give higher priority to other insurance products or financial services, reducing their efforts devoted to marketing of the products and services of the ICM and its subsidiaries. The reduction in or discontinuance of effort devoted to marketing of the products and services offered by the ICM and its subsidiaries for any reason could adversely affect ICM s (as well as ours following completion of the merger-acquisition) revenues and operating results.

ICM and its subsidiaries are highly dependent upon the management skills, reputation and contacts within the insurance industry, including insurance companies and insurance agencies and their agents, of Peter W. Nauert. The loss of the services of Mr. Nauert would adversely affect ICM and its operations.

Competition

ICM competes in the highly competitive insurance industry. The major medical products and services of the insurance companies offered by ICM compete with large national, regional and specialty health insurers, including Assurant, and various Blue Cross/Blue Shield companies. Furthermore, senior managed care, Medicare products and Medicare Advantage medical savings accounts offered by ICM compete with other national, regional and specialty insurers, including Universal American Financial Corp., Banker s Life and Casualty, United Teachers Associates Insurance Company, Torchmark, Pacificare, United Healthcare, Mutual of Omaha, Conseco, Inc., Blue Cross organizations, US Health, and Medicare HMOs. In addition, ICM competes for insurance agencies and their agents to offer, sell and provide the insurance products and financial services offered by ICM.

Many of ICM s competitors have substantially greater financial resources, broader product lines, or greater experience than ICM. ICM competes on the basis of price, reputation, diversity of product offerings and flexibility of coverage, ability to attract and retain agents, and the quality and level of services provided to the independent insurance agencies and their agents.

ICM faces additional competition due to a trend among healthcare providers and insurance companies to combine and form networks in order to contract directly with small businesses and other prospective customers to provide healthcare services. In addition, because the products and services offered by ICM are marketed through independent agents, most of which represent and offer insurance products of multiple insurance companies, ICM competes for the marketing focus of each independent agent.

Governmental Regulation

Government regulation of health and life insurance, annuities and healthcare coverage and health plans is a changing area of law and varies from state to state. Although ICM is not an insurance company, the insurance companies from which ICM obtains its products and financial services are subject to various federal and state regulations applicable to their operations. These insurance companies must comply with constantly evolving regulations and make changes occasionally to services, products, structure or operations in accordance with the requirements of those regulations. Similar to the insurance companies providing products and services offered by ICM, ICM is unable to accurately predict additional government regulations that may be enacted in the future affecting the insurance industry and the offered products and service or how existing or future regulations might be interpreted. Additional governmental regulation or future interpretation of existing regulations may increase the cost of compliance or materially affect the insurance products and services offered by ICM through independent insurance agencies and their agents and ICM s operations, products or profitability. ICM must rely on the insurance companies that provide the insurance products and financial services offered by ICM to carefully monitor state and federal legislative and regulatory activity as it affects their insurance products and services. ICM believes that the insurance products and financial services offered by ICM comply in all material respects with all applicable federal and state regulations.

Insurance Regulation. The insurance products and financial services offered by ICM and the independent agencies and their agents are subject to regulation and supervision by state insurance regulatory agencies. This regulation is primarily intended to protect insureds rather than investors. These regulatory bodies have broad administrative powers relating to standards of insurance company solvency, which must be met on a continuing basis, granting and revoking of licenses, licensing of agents, approval of policy forms, approval of rate increases, maintenance of adequate reserves of insurance companies, insurance company claims payment practices, form and content of financial statements, types of investments permitted, issuance and sale of stock, payment of dividends, and other matters pertaining to insurance products and the insurance companies underwriting the insurance products.

Additional regulatory initiatives may be undertaken in the future, either at the federal or state level, to engage in structural reform of the insurance industry in order to reduce the escalation of insurance costs or to make insurance more accessible. These future regulatory initiatives could have a material adverse effect on ICM s business, financial condition and results of operations.

Healthcare Regulation and Reform. Government regulation and reform of the healthcare industry may also affect the manner in which ICM conducts its business in the future. There continues to be diverse legislative and regulatory initiatives at both the federal and state levels to affect aspects of the nation s health care system. The Gramm-Leach-Bliley Act mandated restrictions on the disclosure and safeguarding of our insureds financial information. The USA Patriot Act placed new federal compliance requirements relating to anti-money laundering, customer identification and information sharing.

In addition, the Health Insurance Portability and Accountability Act of 1996 (HIPAA) requires certain guaranteed issuance and renewability of health insurance coverage for individuals and small employer groups and limits exclusions on pre-existing conditions. HIPAA has also mandated the adoption of extensive standards for the use and disclosure of health information. HIPAA also mandated the adoption of standards for the exchange of electronic health information in an effort to encourage overall administrative simplification and enhance the effectiveness and the efficiency of the healthcare industry.

HIPAA s Security standards became effective April 20, 2005 and further mandated that specific requirements be met relating to maintaining the confidentiality and integrity of electronic health information and protecting it from anticipated hazards or uses and disclosures that are not permitted.

The Medicare Prescription Drug Improvement and Modernization Act of 2003, or DIMA, made many significant changes to the Medicare fee-for-service and Medicare+Choice programs, as well as other changes to the commercial health insurance marketplace. Most significantly, DIMA created a prescription drug benefit for Medicare beneficiaries, established a new Medicare Advantage program to replace the Medicare+Choice program, and enacted health savings accounts (HSAs) for non-Medicare eligible individuals and groups. We will continue to assess the impact, if any, of DIMA and any other new or proposed Medicare legislation.

In addition to federal regulation and reform, many states have enacted, or are considering, various healthcare reform statutes. These reforms relate to, among other things, managed care practices, prompt pay payment practices, health insurer liability and mandated benefits. Most states have also enacted patient confidentiality laws that prohibit the disclosure of confidential information. As with all areas of legislation, the federal regulations establish minimum standards and preempt conflicting state laws that are less restrictive but will allow state laws that are more restrictive. ICM expects that this trend of increased legislation will continue. We are unable to predict what state reforms will be enacted or how they would affect our business.

E-Commerce Regulation. ICM may be subject to additional federal and state statutes and regulations in connection with ICM s product strategy, which includes Internet services and products. On an increasingly frequent basis, federal and state legislators are proposing laws and regulations that apply to

Internet based commerce and communications. Areas being affected by this regulation include user privacy, pricing, content, taxation, copyright protection, distribution and quality of products, and services. To the extent that our products and services would be subject to these laws and regulations, the sale of our products and our business could be harmed.

Legislative Developments. Numerous proposals to reform the current health care system have been introduced in the U.S. Congress and in various state legislatures. Proposals have included, among other things, modifications to the existing employer-based insurance system, a quasi-regulated system of managed competition among health insurers, and a single-payer, public program. Changes in health care policy could significantly affect our business. Legislation has been introduced from time to time in the U.S. Congress that could result in the Federal government assuming a more direct role in regulating insurance companies.

ICM is unable to evaluate new legislation that may be proposed and when or whether any legislation will be enacted and implemented. However, many of the proposals, if adopted, could have a material adverse effect on ICM s business, financial condition or results of operations; while others, if adopted, could potentially benefit its business.

Employees

As of September 30, 2006, ICM had 28 full-time employees as follows:

Insuraco (Acquired)	
Executive and Administration	5
Sales and Marketing	14
Finance and Accounting	2
Compliance	1
Subtotal	22
IPA (Not Acquired)	6
Total	28

ICM s future performance depends in significant part upon the continued service of its key sales and marketing and management personnel, and its continuing ability to attract and retain highly qualified and motivated personnel in all areas of its operations. Competition for qualified personnel is intense. ICM provides no assurance that it can retain key sales and marketing and managerial employees, or that it can attract, assimilate or retain other highly qualified personnel in the future.

Facilities

ICM has entered into a facility lease at 4929 Royal Lane in Irving, Texas, which will begin on or before December 31, 2006. We will assume this lease for our corporate headquarters with closing. Payments under the lease upon commencement are as follows:

Payments due by Period			
Total	**Less than 1 Year**	**1-3 Years**	**4 Years**
$1,046,832	$159,061	$683,577	$204,194

Legal Proceedings

In February 2005, States General Life Insurance Company (SGLIC) was placed in permanent receivership by the Texas Insurance Commission (The State of Texas v States General Life Insurance Company, Cause No. GV-500484, in the 126th District Court of Travis County, Texas.) Pursuant to letters dated October 19, 2006, the Special Deputy Receiver (the SDR) of SGLIC asserted certain claims

against ICM, its subsidiaries, Peter W. Nauert, ICM s Chairman and Chief Executive Officer, and G. Scott Smith, a former Executive Officer of ICM, totaling $2,839,000. The SDR is seeking recovery of certain SGLIC funds that it alleges were inappropriately transferred and paid to or for the benefit of ICM, its subsidiaries and Messrs. Nauert and Smith. These claims are based upon assertions of Texas law violations, including prohibitions against self-dealing, participation in breach of fiduciary duty and preferential and fraudulent transfers. Mr. Nauert was in control and Chairman of the Board of SGLIC when it was placed in receivership by the Texas Insurance Commission. In their response to the SDR, ICM, its subsidiaries and Messrs. Nauert and Smith have stated that they believe they appropriately complied with all of the applicable provisions of Texas Law. ICM, its subsidiaries and Messrs. Nauert and Smith intend to exercise their full rights in defense of the SDR s asserted claims. However, ICM can not make any assurance of the outcome of this matter. An adverse ruling in this case would have a material adverse effect on ICM s financial position and operations.

In connection with our merger-acquisition of ICM and its subsidiaries, Mr. Nauert and the Peter W. Nauert Revocable Trust have agreed to fully indemnify ICM and us against any losses resulting from a claim or lawsuit that may eventually may be made or initiated by the SDR.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of financial condition and results of operations is based upon and should be read in conjunction with ICM financial statements and notes contained later in this Proxy Statement.

ICM was formed in October 2002 for the purpose of offering specialty insurance products and financial services throughout the United States. ICM s operations consist of :

- Sale and marketing of individual health insurance products and related benefit plans, primarily through a broad network of independent agency channels. These operations, which are consolidated under Insuraco USA, LLC, an intermediate holding company, commenced generating revenue in 2004 and, after incurring start-up losses through 2005, are generating earnings in 2006.

- Sale and marketing of health insurance products through Insurance Producers Group of America Agency (IPA), a career agency channel that commenced operations in the second half of 2005 and continues to incur start-up losses. Effective September 29, 2006, ICM transferred its ownership of IPA directly to the Peter W. Nauert Revocable Trust.

- Costs attributable to certain parent company activities not directly related to Insuraco s or IPA s operations (these were discontinued in the third quarter of 2006).

As a result of the transfer of IPA to Mr. Nauert, pursuant to the merger-acquisition, we will only acquire the business operations of ICM that are conducted by Insuraco and its subsidiaries.

The majority of ICM s consolidated operating expenses are attributable to sales and marketing initiatives, many of which occur prior to the initial sale of an insurance policy. However, all of these costs were expensed as incurred, generally prior to the recognition of commission and policy fee revenue associated with these expenditures. Accordingly, through December 31, 2005, ICM incurred considerable start-up losses, a large part of which was attributable to the marketing initiative expenditures. Although Insuraco began to generate earnings during the six-months ended June 30, 2006, these earnings were more than offset by continuing start-up losses of IPA and by ICM parent company costs not associated with Insuraco s operations. The pro forma combined condensed statements of operations at pages F-67 and F-68 reflect adjustments to give effect to the transfer of IPA to Mr. Nauert and the elimination of revenues and expenses of IPA and other operations that will not be acquired.

Results of Operations

The following table sets forth selected pro forma results of ICM and its subsidiaries (Insuraco) for the six months ended June 30, 2006 and 2005, and for the years ended 2005, 2004 and 2003, and reflect adjustments to give effect to the transfer of IPA to Mr. Nauert and the elimination of revenues and expenses of IPA and other operations that will not be acquired.

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2006	2005	2005	2004	2003
	(dollars in thousands)				
Pro forma Statement of Operations Data:					
Product and service revenues	$ 2,422	$ 1,828	$ 4,076	$ 1,227	$ 14
Expenses:					
Sales and marketing costs	1,661	2,183	4,282	1,853,900	689
General and administrative	367	404	867	664,522	207
Total operating expenses	2,028	2,587	5,149	4,422	742
Operating income (loss)	394	(759)	(1,073)	(3,195)	(728)
Other income (expense)					
Interest income (expense), net	19	29	49	(47)	4
Net income (loss)	$ 413	$ (730)	$ (1,024)	$ (3,242)	$ (878)

The following table compares premiums written and revenues for Insuraco for the six months ended June 30, 2006 and 2005, and for the years ended 2005, 2004 and 2003.

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2006	2005	2005	2004	2003
	(dollars in thousands)				
Premium Written and Revenue					
Premium written acquired business (Insuraco)					
Major Medical annualized submitted premium	$ 21,268	$ 18,320	$ 36,422	$ 24,867	$ 3,614
Medicare Supplement annualized issued premium	$ 4,008	$ 8,532	$ 17,609	$ 13,652	$
Limited Benefit (Number of policies)	1,090	5,940	6,992	817	
Revenue acquired business					
Major Medical	$ 1,336	$ 737	$ 1,732	$ 522	$ 14
Medicare Supplement	781	859	1,683	676	
Limited Benefit	305	232	661	29	
Total acquired revenue (Insuraco)	$ 2,422	$ 1,828	$ 4,076	$ 1,227	$ 14

Revenues

Insuraco s revenue consists primarily of commissions on insurance policy premiums and is generally recognized as earned on a monthly basis until such time as the underlying policyholder contract is terminated. The weighted average life for the contracts sold ranges from 18 to 24 months. Accordingly, much of the revenue reported in a period is attributable to policies sold during prior reporting periods. The majority of the Insuraco revenue increase is attributable to an 81% increase in major medical commission revenue from $737,000 for the six months ended June 30, 2005 to $1,336,000 for the six months ended June 30, 2006. The increase reflects a 16% increase in new sales to $21,268,000 of submitted annualized premium, and retention of the majority of the policies sold in the corresponding prior year period. The policy termination rate for major medical policies has remained relatively constant at approximately 5.5% per month. Additionally, Insuraco has benefited from a substantial diversification of its product portfolio over the past year. The broadening of the portfolio enhances Insuraco s ability to grow the number of agents selling its products. During 2005, nearly 90% of Insuraco s revenue was derived from insurance products underwritten by three insurance carriers and during mid-2005 two more carriers were added. For the first six months of 2006 over 95% of Insuraco s revenue was derived from insurance products of these five carriers.

Insuraco s Medicare supplement revenue for the six months ended June 30, 2006 decreased 9% to $781,000, reflecting a 53% reduction in annualized issued premium from $8,532,000 for the six months ended June 30, 2005 to $4,008,000 for the six months ended June 30, 2006, and an increase in the policy termination rate from less than 1.0% per month in 2005 to approximately 3.5% per month in 2006. 2006 annualized issued premium was adversely impacted by the substantial premium rate increases implemented by Insuraco s principal Medicare supplement carrier at the beginning of 2006. Options that Insuraco is currently exploring to reverse the recent sales decline include a broadening of the Medicare product portfolio.

Insuraco s limited benefit product revenue for the six months ended June 30, 2006 increased 32% to $305,000, compared with $232,000 for the six months ended June 30, 2005. Retention of many of the policies sold a year ago, together with an increase in the level retained renewal commissions on these policies, more than offset the 81% decrease in new policies sold. During the second half of 2005, market place changes eroded much of the competitiveness of Insuraco s limited benefit product, which in turn led to a significant reduction in sales. During the second half of 2006, Insuraco introduced new limited benefit products.

The increase in Insuraco s revenue from $14,000 in 2003, to $1,227,000 in 2004, and $4,076,000 in 2005 was driven by the commencement and growth in major medical, Medicare supplement and limited benefit sales in 2004 and 2005 and the retention, in 2005, of the majority of the policies sold during 2004. Through December 31, 2005, all of ICM s revenue is attributable to Insuraco s operations and none from IPA s operations.

Operating Expenses

The 24% reduction in Insuraco sales and marketing expenses to $1,661,000 for the six months ended June 30, 2006, as compared to $2,183,000 for the six months ended June 30, 2005, reflects a combination of reductions in home office personnel costs, primarily due to a redirection of some resource away from more fully developed channels and toward support to build-out of the new IPA channel, as well as lower travel and agent convention expenditures, and reductions from prior year expenditure of various enhancements to front-end systems utilized by agents. Insuraco s general administrative expenses of $367,000 for the six month period to June 30, 2006 decreased by 9% compared to 2005.

Insuraco operating expenses increased by only $727,000 from $4,422,000 in 2004 to $5,149,000 in 2005 compared to the $3,680,000 increase from 2003 to 2004. The lower expense increase from 2004 to 2005 combined with significant revenue growth, narrowed the operating loss for operations being acquired to $(1,073,000) in 2005 compared to $(3,195,000) in 2004. Insuraco s 2003 operating loss for operations being acquired of $(728,000) reflects initial start-up costs.

During the six months ended June 30, 2006, Insuraco generated operating income of $413,000 compared to a $(759,000) operating loss for the corresponding period in 2005. The improvement in profitability reflects a 32% increase in revenue to $2,422,000 and a 22% reduction in operating expenses to $2,028,000, as explained above.

Liquidity and Capital Resources

As of June 30, 2006, ICM had negative working capital of $2,301,000 and an accumulated deficit of $8,485,000. Since inception, ICM s principal shareholder has funded ICM with sufficient capital to meet its immediate obligations. Through June 30, 2006, ICM s principal shareholder, the Peter W. Nauert Revocable Trust, contributed $6,290,000 to ICM that was used to fund costs associated with start-up and immediate working capital obligations. ICM principal shareholder has committed to continue to provide funding to meet these requirements. Additionally, ICM has access to short-term debt from various sources. If the merger acquisition is consummated, our Company s combined working capital will be sufficient to meet those requirements.

ICM short-term debt at June 30, 2006 was $1,309,000, of which $1,019,000 has been directly applied to funding interest bearing advanced agent commissions and the balance of $290,000 has been used for general working capital purposes. ICM has obtained a revolving line of credit facility from a commercial bank to obtain funding for the advancing of agent commissions for certain programs. Under this facility, ICM may borrow up to $1,600,000, provided that such borrowings are restricted to the funding of advanced agent commissions. The revolving line of credit matures December 1, 2006.

Additionally, at June 30, 2006, ICM had $500,000 outstanding under a loan from a related party, ICM s principal shareholder. At closing, Precis will assume Insuraco s outstanding short-term debt. Prior to closing, ICM s short-term related party debt of $500,000 will be converted to a minority equity ownership interest in ICM.

A significant portion of the ICM s working capital deficit and operating losses in the second half of 2005 and the first half of 2006 relate to IPA. Excluding IPA-related activities, ICM has generated positive operating profit and cash flows from the businesses that Precis will acquire (Insuraco activities) for the first six months of 2006 and believes it will continue to do so.

Based upon these factors, the Company believes it will be able to meet its short-term and long-term working capital requirements.

MANAGEMENT

Executive Officers and Directors

The following table sets forth information with respect to each of ICM s executive officers and directors:

Name	Age	Position
Peter W. Nauert	63	President, Chief Executive Officer and Chairman
Ian R. Stuart	50	Chief Financial Officer, Secretary and Director
Nancy L. Zalud	53	Vice President, Sales and Director
Carl H. Fischer	51	Vice President, Provider Relations
Michael K. Owens	32	President, America s Health Care/Rx Plan Agency, Inc.

A brief description of the business backgrounds of Mr. Nauert and Mr. Boemi appear under the caption Proposal Four Election of Directors Information about Each Director and Nominee Directors of this Proxy Statement. A brief description of the other officers and directors of ICM is set forth below.

Peter W. Nauert has served as Founder and Chairman of Insurance Capital Management (ICM) since its inception in 2002. From December 2003 to February 2005, Mr. Nauert was Chairman of the Board and controlling shareholder of Aegis Financial Corporation, the parent of States General Life Insurance Company (SGLIC). Prior to founding ICM, Mr. Nauert was Chairman and CEO of Ceres Group, Inc., a publicly traded insurance company, from July 1998 to June 2002. Mr. Nauert served as Chief Executive Officer of Pioneer Financial Services from 1982 to 1997. Mr. Nauert received a Juris Doctor (JD) from George Washington University as well as a Bachelor of Science degree in Business Administration from Marquette University.

Ian R Stuart joined Insurance Capital Management (ICM) during October 2004 and serves as ICM s chief financial officer and chief operating officer. Prior to joining ICM, Ian was employed by Citigroup, from 1991 to 2004, principally in various divisional chief financial officer roles in insurance, banking and commercial leasing businesses. Ian began his professional career as an accountant in London, England in 1977 and held several positions at Price Waterhouse from 1981 to 1991. Ian completed a Hatfield College (England) accounting program in 1976.

Nancy L. Zalud became Senior Vice President of Insurance Capital Management USA, Inc. (ICM) in February 2005. She is responsible for corporate communications and marketing communications for ICM and its subsidiaries and affiliates. Ms. Zalud has more than 20 years of corporate communications and insurance industry experience, including investor relations, public relations and advertising, marketing communications, policyholder communications and employee communications.

Carl H. Fischer has been Chief Executive Officer of American Benefit Resource/Rx, Inc. and President and Chief Marketing Officer of Adult Care Plans/Rx America since September 2004. Mr. Fischer has extensive experience in individual and group health insurance managed care products, under age and over age 65 health products; national sales and marketing of health and life insurance products, insurance company administration, product development, cross selling and national distribution of financial services products. From June 1997 to June 2004, Mr. Fischer held various positions with the Health Division of Conseco, Inc. in Carmel, Indiana, including Chief Administrative Officer, Senior Vice President-Marketing, and President ACSIA-Specialty Benefit Planners. From 1982 to 1997, he held various positions with Pioneer Financial Services in Schaumburg, Illinois and Dallas, Texas. From 1977 to 1982, he worked for AEGON, Inc. in Cedar Rapids, Iowa, holding the position of Manager-New Business/Agency Services of Life Investors Insurance Company of America and Bankers United Life Assurance Company, prior to which he was a registered representative NASD, life insurance annuities for IDS/American Express. Mr. Fischer graduated from Coe College in Cedar Rapids, Iowa, where he received a B.A. in Economics and a B.A. in Business Administration in 1982. He also continued his graduate studies in business at Rockford College, Rockford, Illinois, and Amberton University in Dallas, Texas in 1983 and 1987.

Michael K. Owens, Jr. has been with ICM since January, 2002. He has served as president of America s Health Care/Rx Plan Agency, Inc., (AHCP) a wholly owned subsidiary of ICM since January 2006. Prior to joining ICM, he served as vice president of corporate development for The Ceres Group, Inc., a publicly traded insurance company based in Cleveland, from January 1999 through June of 2002. From December 2003 to February 2005, Mr. Owens served as an officer of States General Life Insurance Company (SGLIC). Mr. Owens serves on the board of directors for two 501(c) (3) organizations devoted to children s charities and also donates his time to the St. Jude Children s Research Hospital and The March of Dimes Birth Defects Foundation. Mr. Owens is 32 years old, received a B.S. in marketing from the University of Illinois, Chicago, participated in the Economics Advance program at New York University and received an MBA in finance from the University of Chicago.

EXECUTIVE OFFICER COMPENSATION AND OTHER INFORMATION

The following table sets forth the compensation during 2005, 2004 and 2003 paid or accrued, of Peter W. Nauert, ICM s President and Chief Executive Officer and the other named executive officers, each of whom received compensation in excess of $100,000 during 2005.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation(1) Salary(2)	Bonus(3)
Peter W. Nauert(4)	2005	$	$
President and Chief Executive Officer	2004	$	$
	2003	$	$
Michael K. Owens	2005	$ 125,000	$
President of America s Health Care/Rx Plan Agency, Inc.	2004	$ 125,000	$
	2003	$ 31,250	$ 25,000
G. Scott Smith(5)	2005	$ 187,500	$
	2004	$	$
	2003	$	$
Ian R. Stuart	2005	$ 160,417	$
Chief Financial Officer	2004	$ 18,229	$
	2003	$	$
Nancy L. Zalud	2005	$ 120,000	$
Senior Vice President, Communications, Insuraco, Inc.	2004	$ 120,000	$
	2003	$ 10,000	$
Carl Fisher	2005	$ 120,000	$
President and Chief Marketing Officer of Adult Care Plans/Rx America	2004	$ 25,000	$
	2003	$	$

(1) The named executive officer received additional non-cash compensation, prerequisites and other personal benefits; however, except in the case of Mr. Nauert, the aggregate amount and value thereof did not exceed 10% of the total annual salary and bonus paid to and accrued for the named executive officer during the year.

(2) Dollar value of base salary (both cash and non-cash) earned during the year.

(3) Dollar value of bonus (both cash and non-cash) earned during the year.

(4) Since inception, Peter W. Nauert has not been paid any salary or bonus. Expenses paid by the company on his behalf (CEO Expenditures) aggregated $44,463 in 2003, $124,636 in 2004, and $157,821 in 2005.

(5) G. Scott Smith was assigned to IPA effective January 1, 2006 he will not be joining the Precis organization.

Lack of Employment Agreement and Keyman Insurance

ICM and its subsidiaries do not have any employment agreements or severance agreements with their employees, including Peter W. Nauert. ICM and its subsidiaries are and we will be highly dependent upon Mr. Nauert following completions of the merger-acquisition of ICM and its subsidiaries. Mr. Nauert s management skills, reputation and contacts within the insurance industry, including insurance companies and insurance agencies and their agents, are key elements of our merger-acquisition of ICM. The loss of the services of Mr. Nauert would adversely affect the growth and success we hope to obtain following completion of the merger-acquisition. Following completion of the merger-acquisition of ICM and it subsidiaries, Mr. Nauert will become our Chief Executive Officer. We will not have an employment agreement with him. ICM does not maintain keyman insurance on Mr. Nauert.

PRECIS, INC.

BUSINESS

We provide affordable consumer driven health care solutions in lieu of traditional health insurance through access to discounted health care services and third party administration services.

Our membership programs offer savings on a wide range of healthcare services. The majority of our revenue is derived from our healthcare membership savings programs, which is our primary business segment. See Note 15 Segmented Information in the Financial Statements included elsewhere in this Proxy Statement. For the year ended December 31, 2005, 70.4% of our consolidated revenue was from our healthcare membership savings programs. The remaining 29.6 % was derived primarily from providing full third party administration services to adjudicate and pay medical claims for employers who have self-funded all or any portion of their healthcare costs.

Our membership programs offer savings on healthcare services to persons who are un-insured, underinsured, or who have elected to purchase only high deductible or limited benefit medical insurance policies, by providing access to the same preferred provider organizations (PPOs) that are utilized by many insurance companies and employers who self-fund all or any portion of their employees healthcare risk. These programs are sold through a network marketing strategy under the name Care Entrée and through resellers who have privately labeled or co-branded our Care Entrée services.

We design these programs to benefit healthcare providers as well as our program members. Providers commonly give reduced or preferred rates to PPO networks in exchange for steerage of patients. However, the providers must still file claim forms and wait 30 to 60 days to be paid for their services. Our programs utilize these same provider networks to obtain the same savings for the Care Entrée program members. However, the healthcare providers are paid much more promptly and without the oversight of the typical claims review processes of an insurance or managed care company. We provide transaction facilitation services to both the program member and the healthcare provider.

We continue to face challenges in reversing the decline in our Care Entrée and other membership programs. The number of active members in our programs continued to decline through the present time, but at a slowing rate of decline, leading to decreased revenues from those operations. We have taken significant cost-cutting actions to offset the loss in revenue and are working to increase membership levels by developing additional distribution channels and by adding new products and services to the suite of programs we offer.

We also offer full-third party administration services through our wholly-owned subsidiary, Access HealthSource, Inc., (Access). Through Access, we offer third party claims administration, provider network management, and utilization management services for employer groups that utilize partially self funded strategies to finance their employee benefit programs. We acquired Access in the second quarter of 2004 and its results of operations have contributed favorably to our consolidated results.

In the third quarter of 2005, we began offering neutraceuticals, consisting of vitamins, minerals and other nutritional supplements, under the Natrience brand. Neutraceutical sales commenced in late September 2005, but were immaterial through June 30, 2006. Effective June 30, 2006, we discontinued its operations and wrote off the assets of this division.

Consumer Healthcare Industry Overview

The healthcare industry remains in a state of turmoil and crisis. It is estimated that 15.9% of all Americans, or 46.6 million individuals, were without health insurance coverage in 2005, an increase of .8 million people. [Source: U.S. Census Bureau Statistics published by the U.S. Department of Commerce.] The percentage of people working full-time without health insurance in 2005 was 17.7%, an increase from 17.3% in 2004. [Source: U.S. Census Bureau Statistics published by U.S. Department of Commerce] Nationally, healthcare expenditures topped $1.9 trillion in 2004, up from $1.2 trillion in 1999, [Source: Centers for Medicare and Medicaid Services.]

At the workplace, the trends are equally problematic. Between 2004 and 2005, premiums for employer-sponsored health insurance rose 9.2%, following consecutive years of double-digit premium increases. The increases are hitting small employers (under 200 workers) particularly hard. These small firms are more likely to have experienced an increase in premiums greater than 15%. These costs are not only being felt by the employer, but also by the employees. The average monthly worker contribution for single and family healthcare coverage rose from $8 and $52, respectively, in 1988 to $51 and $226, respectively, in 2005. The average cost of family coverage is now nearly $11,500 per year, including workers contributions of nearly $3,000. Not surprisingly, employers are looking for alternatives. [Source: Employer Health Benefits 2006 Summary of Findings, published by the Kaiser Family Foundation]

Over utilization of the healthcare system is one of the factors behind these trends. American citizens are utilizing healthcare services at an ever-increasing rate. Behind this phenomenon is the fact that insurance plans and healthcare management organizations are structured to encourage usage. Small co-payments, generally from $10 or $25 per office visit, encourage insured consumers to use the healthcare system more frequently because they do not perceive themselves ultimately as having to pay the full costs of the medical services received.

A number of insurers have pulled out of certain states, due to state regulations that no longer provide for a viable operating environment for many insurance companies. As a result of these health coverage cancellations, those formerly insured individuals and families are required to pay more for their insurance coverage, cannot obtain any coverage because of pre-existing conditions or simply remain uninsured for healthcare.

Corporate America has been hit hard by escalating insurance costs and many companies are reacting by shifting the cost of insurance coverage to employees or cutting benefits. This creates a dilemma for the employer, it being difficult to attract and hire quality personnel without providing health benefits at a reasonable cost to the employee, while the cost of providing employee healthcare benefits may be prohibitive or unaffordable.

Tensions between medical providers and the payers are also escalating. The medical decision is often no longer in the hands of the doctor and the patient. Rather, administrators at healthcare management organizations and insurance companies determine the procedures to be performed. Doctors and hospitals, having experienced decreases in their income and profits, are demanding higher compensation, particularly from the healthcare management organizations.

As a result, more Americans are being forced to self-insure and pay an increasing portion of their healthcare costs and increasing the number of entirely uninsured. Others can only afford or choose only a high deductible or limited benefit health insurance policy. In either case, this patient population increasingly forgoes medical procedures or relies on emergency care for its healthcare needs and often incurs prohibitive expenses. Additionally, costs of healthcare (in doctors offices and hospitals) for this patient population are often far higher than the amount an insured and the insurance company would pay for the same healthcare services for its insureds. The uninsured and underinsured patients have had no one to negotiate healthcare service costs on their behalf.

In addition, recently enacted federal legislation allows individuals who establish Health Savings Accounts (HSAs) to deduct from their income taxes the premiums they pay for their high-deductible polices, thus reducing the net cost of those policies. Individuals who set up HSAs can achieve substantial savings on their health insurance through the deduction for federal income tax purposes of the policy premiums. Moreover, HSAs are expected to give Americans more control over their health care spending. President Bush, in his 2006 State of the Union Address, proposed expansion of HSAs by giving individuals that purchase HSAs on their own the same tax advantages as those with employer-sponsored insurance and eliminating all taxes on out-of-pocket spending through HSAs.

Our Consumer Healthcare Savings Solution

Our consumer healthcare savings membership programs are offered under the trade name of Care Entrée or through the trade name of our private label resellers and are designed in response to rising healthcare costs and the growing number of people that can no longer afford insurance coverage. Our healthcare savings programs are not managed care. Instead, they are based upon and emphasize the following factors:

- responsibility for the use of healthcare must be put back in the hands of the patient. Insurance policies with low co-pays and deductibles have become very popular; however, these arrangements actually encourage the over-utilization resulting in increased healthcare costs;

- the healthcare decision must be put back in the hands of the doctor and the patient, without undue oversight by parties with only economic interests in the decision; and

- healthcare must be affordable for the patient, while providing the medical providers with adequate payment on a timely basis for services provided.

For years, insurance companies have been successful by obtaining healthcare for their insureds at much lower prices than that obtainable by the self-insured person. These benefits were provided through the use of preferred provider organizations (PPOs), where steerage of patients was promised to doctors, hospitals and other providers in exchange for lower rates. We have contracted with some of these same PPOs to provide healthcare savings to our program members.

The elements discussed below are critical to the operation, further development and offering of our programs.

- ***A medical provider network that provides an effective and efficient means to deliver healthcare savings to the patient who is in whole or part self-insured.*** We have accomplished this through arrangements with reputable, high quality preferred provider organizations. Our healthcare PPO networks give our members access to hundreds of thousands of providers and thousands of facilities throughout the U.S.

- ***A computer system that can handle all the complexities of healthcare billing and fee schedules with speed and accuracy, enabling efficient re-pricing of medical bills, which is essential in our interaction with doctors offices.*** Accordingly, we have developed in-house systems for eligibility verification and re-pricing of medical bills through interaction with the electronic repricing systems of our medical PPO network.

- ***A staff with healthcare backgrounds that interacts with the healthcare providers.*** Healthcare administration is an art. Not everyone has the background to interact professionally and courteously with the thousands of people representing the providers in the network. Our staff is adequately trained to provide customer support and member steerage so that our members can achieve additional medical savings by obtaining the best rates even within the same medical provider network.

- ***A commitment to hands on customer service for both the patient-member and the healthcare provider.*** Most physicians and hospitals are in multiple preferred provider organization networks and do not know the negotiated rates at the time and point of healthcare service. We believe it is important that our services allow these providers to contact us at the time and point of service for this information so that they can immediately arrange for the collection from our member of repriced amounts due for the services provided; and

- ***Credibility with providers who expect prompt payment in exchange for access to reduced rates.*** During the fourth quarter of 2002, we implemented escrow account requirements in response to the market changes in the healthcare savings industry. We call these accounts Personal Medical Accounts or PMAs. A great number of our members of our Care Entrée program were required to establish

and maintain PMA accounts to access and provide payment for hospital services. Our private label partners are not required to offer these accounts to their members. With PMAs, we are then able to pre-certify the members ability to pay based upon the available PMA account balances and to process the members payments directly to the medical providers. This helps us assure that the payment to the provider is made promptly and efficiently. Foresight, Inc., a licensed third party administrator (TPA), administered the PMAs through 2005. Much of that administration is now performed by Access Administrators, Inc., our subsidiary that provides full service third-party administration services. As of June 30, 2006, our cash-in-trust, which represents the aggregate amount that our members have on deposit in their PMAs was $4.3 million. While we believe that our PMAs are a valuable component of our programs for our members and for providers, the increased complexity associated with the PMAs has made our products more difficult to sell and expensive to manage. We are exploring alternatives to the PMAs and have introduced programs that do not require PMAs. We have removed the requirement that a PMA be established to access our services and anticipate that we will wind down the PMA feature in its entirety in the next year.

The combination of these elements has allowed us to become the patient advocate. We routinely assist our program members in saving up to 50% on their medical bills, and frequently more, by steering them to the most cost effective healthcare providers in their area. We allow the patient and the healthcare provider to decide treatment protocols with no interference from any third party.

Our membership program encompasses all aspects of healthcare, including physicians, hospitals, ancillary services, dentists, prescription drugs, vision care, hearing aids, chiropractic and alternative care, air ambulance, 24-hour nurse hotline assistance, and long-term care. Some aspects of our programs are not available in all states. In most states, memberships in our Care Entrée programs range from $9.95 to $69.95 per month per family depending on the selected options, plus a one-time enrollment fee of $20.00 to $30.00.

Our Employer and Group Healthcare Services and Solutions

Access HealthSource, Inc. We also offer full-third party administration services through our wholly-owned subsidiary, Access HealthSource, Inc. (Access). We acquired Access in June 2004 for a purchase price of up to $9,350,000 plus payment of acquisition costs. The purchase price is in part based upon a multiple of 3.22 of the earnings before interest, taxes, depreciation and amortization of Access (EBITDA) for 2004, 2005 and 2006. The total purchase price through December 31, 2005 is $8,129,000 of which $3,631,000 was paid by issuance and delivery of 2,145,483 shares of our common stock.

Through Access, we provide a wide range of healthcare claims administration services and other cost containment procedures that are frequently required by state and local governmental entities and other large employers that have chosen to self-fund their required healthcare benefits. With Access services we offer a more complete suite of healthcare service products. Also through Access, we provide individuals and employee groups with access to preferred provider networks, medical escrow accounts and full third-party administration capabilities to adjudicate and pay medical claims.

Access services are sold through health insurance and employee benefit brokers and agents. Access primary area of expertise is in the public-sector market.

Sales and Marketing Channels

Our Care Entrée healthcare programs are offered through our network marketing organization (initially organized in August 1997) or by way of our private label agreements with direct marketing or other sales organizations, including insurance agencies.

Network Marketing. Our independent representatives become marketing representatives by paying an enrollment fee (currently $99.95) and signing a standard representative agreement, and an annual renewal fee (currently $49.95). Independent marketing representatives of Care Entrée are not required to be licensed insurance agents. Independent marketing representatives are generally paid a 20% commission on the membership fees of each member they enroll for the life of that member s enrollment with Care Entrée (subject to the representatives continuing to meet certain commission qualifications). Independent marketing representatives may also receive commissions equal to the membership fees if three or more program members are enrolled in a month. In the month of the membership sales, no override commissions are paid to the representative s upline. Independent marketing representatives may also recruit other representatives and earn override commissions on sales made by those representatives. We pay a total of approximately 35% in override commissions up through seven levels of marketing representatives. In addition, we have established bonus pools that allow independent marketing representatives who have achieved certain levels to receive additional commissions measured by our revenues attributable to the Care Entrée programs.

The total regular or ongoing commissions payout, including overrides based on monthly membership sales after the enrollment month and the amount contributed by us to the bonus pools, can be as high as 60% of qualified membership sales.

Wholesale Membership or Private Label Clients and Direct Sales. Primarily through our direct sales team we also contract with other companies under wholesale co-branded or private label arrangements. Under these arrangements, we conduct all customer service and re-pricing operations and may also provide the fulfillment and collections services. The client performs all marketing functions. We intend to expand on our wholesale strategy by also targeting self-funded employers and organizations providing administrative services to employee benefit plans in order to have our healthcare products sold to groups of employees on a stand-alone basis or as part of an employee benefit plan.

Business Objectives and Plans

Our objective is to sustain and expand our leadership position as a provider of unique healthcare membership service programs and consumer driven healthcare solutions. Key elements of our business plan are as follows:

Continue to Develop Unique Healthcare Service Programs for Broad Markets. Our focus is on the continued development and introduction of unique programs that address the health and lifestyle needs of targeted consumer groups. We anticipate that this will allow us to capture a larger share of the healthcare market through existing marketing channels and through establishment of new client relationships. This focus includes our plan to increase the third-party administration service offerings available through Access.

Continue to Develop a Recurring Revenue Base. Growth in recurring revenue from the Care Entrée product is dependent on our independent marketing representatives continuing to market the Care Entrée program memberships and recruit new downline independent marketing representatives. We intend to continually increase our support for representatives to maximize the volume generated through this sales channel. Recurring revenue from wholesale and private-label clients is dependent upon the client continuously marketing our products to their customer base. We intend to continue to focus our efforts on retaining our existing clients and obtaining new wholesale and private label clients through our direct sales team. We also intend to increase the revenue base of our third-party administration services by expanding the service area of Access beyond the El Paso, Texas metropolitan area.

Develop a Corporate Level Direct Sales Strategy. To complement the individual sales and group sales and lead generation accomplished through our network marketing strategy, we have undertaken a strategy to promote sales directly to consumers. We may continue to use the Care Entrée name or we may develop this direct sales strategy under other retail names.

Leverage and Develop Multiple Network Partners. While we currently have a contractual relationship with a well recognized and fully developed preferred provider organization network for access to savings on doctors, hospitals, and ancillary healthcare services, we need to continuously asses the capabilities of that network and work towards providing alternative network solutions for our members.

Provide High Quality Consumer Service. In order to achieve our anticipated growth and to ensure client, member and marketing representative loyalty, we continue to develop and invest significantly in our member service systems. We have developed a proprietary computer database system that provides our customer service representatives with immediate access to provider demographic data, re-pricing information and member information, including the components of each member program or plan and the details a member requires to properly utilize the program. In addition, we may partner with a third party that has significant experience in providing member services and administrative services for healthcare savings programs like ours.

Develop and Market Innovative Product Offerings. In order to meet consumer demands for alternatives to traditional healthcare insurance, we have developed a line of affordable insurance products that are sometimes referred to as scheduled benefit, limited benefit or defined benefit policies. These products are much less expensive than traditional comprehensive healthcare insurance and usually do not require the member to undergo any underwriting. As such, they are available to all individuals, regardless of health condition. The policies usually operate on an indemnity basis, reimbursing the member for certain of his or her incurred costs. Sometimes, the policies allow the benefit to be assigned directly to the provider, eliminating the need for the member to pay the provider directly and then seek reimbursement. These policies pay a certain amount for designated healthcare services. For instance, a member could choose a program entitled him or her to $250, $500 or $1000 per day of hospitalization, with additional scheduled benefits for intensive care stays and surgery, for up to 180 days. The sale of some of these programs requires an insurance license. In this case, we sell them only through our independent marketing representatives that hold the appropriate licenses. Some of these programs, however, are offered at no cost to the member as part of the member s enrollment in an association. In this case, the sale of the membership generally does not require a license in most states.

Continue to Expand Our Third-Party Administrator Services. In response to the needs of our group customers, we have expanded our third party administrator (TPA) services. Our acquisition of Access Healthsource, Inc. in 2004 allows us to offer a full-service TPA function that includes full plan administration, claims adjudication and claims management services.

Membership Service Programs

Consumer Healthcare Savings Programs. As of September 30, 2006, we had six consumer healthcare savings programs that were available in most states:

Total Care Program ***$69.95*** per family per month, includes access to savings on hospitals, doctors, ancillary services, dentists, vision care, LASIK-laser vision correction, Instacare emergency card, hearing aids, prescription medications, alternative care, chiropractors, 24-hour health hotline, $2,000 excess accident medical benefit and three-month membership fee continuation for involuntary unemployment.

Essential Care Program ***$54.95*** per family per month, includes access to savings on doctors, ancillary services, dentists, vision care, LASIK-laser vision correction, hearing aids, prescription medications, alternative care, chiropractors, 24-hour health hotline, $2,000 excess accident medical benefit and three month membership fee continuation for involuntary unemployment.

Choice Card Program ***$24.95*** per family per month, includes access to 24-hour health hotline, Instacare emergency card, and savings on hearing aids, prescription medications, vision care, dentists and long term care services.

Dental Plus Program ***$19.95*** per family per month, includes access to 24-hour hotline, and savings on dentists, hearing aids, prescription medications, vision care, alternative care and chiropractors.

Prescription Plus Program ***$9.95*** per family per month, includes access to savings on prescription medications, vision care and hearing aids.

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Some of these programs and some aspects of the programs are not available in all states. Members pay a onetime $30 or $20 (depending on the program) processing fee at the time of enrollment. Most members pay for the program on a monthly basis, either through automatic bank draft or credit card draft, although some elect to have their accounts drafted on a quarterly basis. Individuals who do not wish to have their accounts drafted are required to make a six-month or annual payment. Groups of five or more can also choose to be billed on a monthly basis.

Members may cancel their membership at any time. We provide a 30-day money-back refund of the program fee in the event a member is not completely satisfied with the program, subject to the return of the identification cards. In most states, the application fee is non-refundable.

Upon enrollment, new members receive a member kit that includes instructions on using the program and identification cards.

Network Contracts

We contract with numerous preferred provider organization networks and other medical networks for access to their negotiated rates. We do not contract directly with any medical providers. We only select and utilize those networks that we believe can deliver adequate savings to our members, while providing support for our program with the healthcare providers. We pay each network utilized a per member per month amount for use of the network. Each network is only paid for those members authorized to utilize the network. Most of our network contracts are generally for a one-year term, with subsequent one-year renewal terms at our or the network s option. Networks may cancel their contracts with us, but in most cases, subject to notice provisions to provide time to locate a substitute network. Most of our network contracts are not exclusive, but have requirements that the network and we maintain the confidentiality of the terms of the contract. Our principal preferred provider organization is Private Healthcare Systems, Inc.

Customer Service

We believe that a high level of customer service is critical to the success of our programs. We provide customer service for three types of individuals or organizations:

- Our marketing representatives, so that they can be more effective in selling the program;
- Our members, in order to assure that they achieve the best available savings when utilizing the program; and
- The providers, who require assistance in (a) understanding how the program works for them and (b) in verifying eligibility and arranging for the payment of the amount billed to the patient for each procedure performed.

Toll-free support is provided for the members and healthcare providers. We maintain multiple customer service centers with a total of 71 customer service representatives as of June 30, 2006. Of these, 32 support our discount healthcare programs and administer claims for those programs and 39 support our third-party administration services. These employees provide support for our members, our independent marketing representatives, and for providers. Our member and provider service centers are available Monday through Thursday from 7:30 a.m. to 7:00 p.m. central time and 7:30 a.m. to 6:00 p.m. on Friday. Our marketing representative service center is available Monday through Friday from 7:30 a.m. to 6:00 p.m. central time. All new customer service representatives must have a medical background, either processing insurance claims or working in a medical office. Extensive on-the-job training is also provided to them. Utilizing our systems, the customer service representatives are able to provide friendly but efficient service to our members, marketing representatives and network providers.

Representative Training

We provide training to our marketing representatives to assure that they accurately represent our products and services. This training is available in a variety of forms, including a training manual, videotapes, local and regional training meetings and weekly conference calls. The training encompasses both product training as well as marketing training and sales techniques.

We have certain policies and procedures in place to control any advertising or promotions that are utilized by our marketing representatives. These policies and procedures are necessary to assure the proper representation of the program at all times and include the pre-approval of all advertising, adherence to anti-spamming and anti-fax blasting rules, and limits where representatives can advertise. A representative s failure to follow these rules can result in fines or termination.

Technology

We have made substantial investments in our proprietary technology and management information systems. These systems were designed in-house and are used in most aspects of our business, including:

- maintaining member eligibility and demographic information;
- maintaining representative information including genealogy reporting;
- paying commissions;
- maintaining a database of all providers and providing provider locator services;
- re-pricing and payment of medical bills;
- drafting members accounts on a monthly basis; and
- tracking of cash receipts and revenues.

We have also established web-sites for our programs that provide information about the program, allow for provider searches and allow new members and representatives to enroll on-line. The websites also allow representatives, through a password-protected area to access support and training files and to view their genealogy and commission information. The websites are set up as self-replicating websites to allow representatives a copy of the websites under a unique web address.

Governmental Regulation

We are subject to federal, state and local laws, regulations, administrative determinations, court decisions and similar constraints (hereinafter regulations). Because the nature of our healthcare savings programs are relatively new to the marketplace, we may not be able to accurately predict which regulations will be applied to that portion of our business and we may become subject to new or amended regulations. Some of the areas of our business that are or may be governed by current or future regulations are:

- our healthcare products, in that there is a possibility that our Care Entrée membership program will be regulated as an insurance company or a managed care company or that there will be new or additional regulations specifically addressing our healthcare savings programs;
- our product claims and advertising (including direct claims and advertising as well as claims and advertising by independent marketing representatives, for which we may be held responsible);
- our network marketing organization; and
- our medical escrow accounts held on behalf of our members.

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Possible Insurance Company Regulation and Other State Regulation

Our discount healthcare programs are not insurance and we are not subject to regulation as an insurance company or a seller of insurance. However, regulations in certain states currently regulate or restrict the offering of our programs.

Occasionally, we receive inquires from insurance commissioners in various states that require us to supply information about our discount healthcare programs, representatives, etc. to the insurance commissioner or other state regulatory agency. To date, these agencies have concurred with our view that our discount healthcare programs are not a form of insurance (however, see Legal Proceedings, below). There is no assurance that this situation will not change in the future, and an insurance commissioner will successfully challenge our ability to offer our programs without compliance with state insurance regulation. Furthermore, several states have recently enacted or introduced legislation and/or regulations that will affect the manner by which we sell our programs. Because this legislation or regulations are newly enacted or adopted, we do not know the scope and full effect on our operations, and there is a risk that compliance with such legislation and/or regulations could have material adverse affect on our operations and financial condition. There is also the risk that a state will adopt regulations or enact legislation restricting or prohibiting the sale of our medical discount programs in the state. In addition, some states may view our programs as managed care, which would subject us to additional complex regulations and restrictions.

Our discount healthcare programs are also subject to the review of the attorney generals in each state, particularly as they relate to the network marketing aspect of the program. The Care Entrée commission plan was designed to meet the requirements of each state, and we have had no challenges of the plan from any state attorney general. However, the laws in any state or the interpretation of these laws could change at any time and we may be prevented from selling memberships in our Care Entrée programs as a result of the changes.

Compliance with federal and state regulations is generally our responsibility. The medical discount program industry is especially susceptible to charges by the media of regulatory noncompliance and unfair dealing. As is often the case, the media may publicize perceived non-compliance with consumer protection regulations and violations of notions of fair dealing with consumers. Our failure to comply with current, as well as newly enacted or adopted, federal and state regulations could have a material adverse effect upon our business, financial condition and results of operations in addition to the following:

- non-compliance may cause us to become the subject of a variety of enforcement or private actions;
- compliance with changes in applicable regulations could materially increase the associated operating costs;
- non-compliance with any rules and regulations enforced by a federal or state consumer protection authority may subject us or our management personnel to fines or various forms of civil or criminal prosecution; and
- non-compliance or alleged non-compliance may result in negative publicity potentially damaging our reputation, network relationships, client relationships and the relationship with program members, representatives and consumers in general.

Product Claims and Advertising

The Federal Trade Commission and certain states regulate advertising, product claims, and other consumer matters, including advertising of our products. All advertising, promotional and solicitation materials used by marketing representatives require our approval prior to use. The Federal Trade Commission may institute enforcement actions against companies for false and misleading advertising of consumer products. In addition, the Federal Trade Commission has increased its scrutiny of the use of testimonials, including those used by us and our marketing representatives. We have not been the target of Federal Trade Commission enforcement action.

There is no assurance that:

- the Federal Trade Commission will not question our advertising or other operations in the future;
- a state will not interpret product claims presumptively valid under federal law as illegal under that state s regulations; or
- future Federal Trade Commission regulations or decisions will not restrict the permissible scope of such claims.

We are also subject to the risk of claims by marketing representatives and their customers who may file actions on their own behalf, as a class or otherwise, and may file complaints with the Federal Trade Commission or state or local consumer affairs offices. These agencies may take action on their own initiatives against us for alleged advertising or product claim violations, or on a referral from independent marketing representatives, customers or others. Remedies sought in these actions may include consent decrees and the refund of amounts paid by the complaining independent marketing representatives or consumer, refunds to an entire class of independent marketing representatives or customers, client refunds, or other damages, as well as changes in our method of doing business. A complaint based on the practice of one marketing representative, whether or not we authorized the practice, could result in an order affecting some or all of our marketing representatives in a particular state. Also, an order in one state could influence courts or government agencies in other states considering similar matters. Proceedings resulting from these complaints could result in significant defense costs, settlement payments or judgments and could have a material adverse effect on us.

Network Marketing Organization

Our network marketing system is subject to a number of federal and state regulations administered by the Federal Trade Commission and various state agencies. These regulations are generally directed at ensuring that advancement, within a network marketing organization, is based on sales of the organization s products rather than investment in the organization or other non-sales related criteria. For instance, in certain markets there are limits on the extent that marketing representatives may earn royalties on sales generated by marketing representatives that were not directly sponsored by the marketing representative.

Our network marketing organization and activities are subject to scrutiny by various state and federal governmental regulatory agencies to ensure compliance with various types of laws and regulations. These laws and regulations include securities, franchise investment, business opportunity and criminal laws prohibiting the use of pyramid or endless chain types of selling organizations. The compensation structure of these selling organizations is very complex, and compliance with all of the applicable laws is uncertain in light of evolving interpretation of existing laws and the enactment of new laws and regulations pertaining to this type of product distribution. As of the date of this report, we are not aware of any legal actions pending or threatened by any governmental authority against us regarding the legality of our network marketing operations.

As of September 30, 2006, we had marketing representatives in 43 states and the District of Columbia. We review the requirements of various states, as well as seek legal advice, regarding the structure and operation of our network marketing ensure that it complies with all of the applicable laws and regulations pertaining to network sales organizations. Based on these efforts and the experience of our management, we believe that we are in compliance with all applicable federal and state regulatory requirements. We have not obtained no-action letters or advance rulings from any federal or state security regulator or other governmental agency concerning the legality of our network operations, nor are we relying on a formal opinion of counsel to that effect. We accordingly are subject to the risk that one or more of our network marketing organizations could be found to not comply with applicable laws and regulations. Our failure to comply with these regulations could have a material adverse effect on us in a particular market or in general.

We are subject to the risk of challenges to the legality of our network marketing organization, including claims by our marketing representatives, both individually and as a class. Most likely these claims would be based on the network marketing organization allegedly being operated as an illegal pyramid scheme in violation of federal securities laws, state unfair practice and fraud laws, and the Racketeer Influenced and Corrupt Organizations Act. In the event of challenges to the legality of our network marketing organization by distributors, we would be required to demonstrate that our network marketing organization complies with applicable regulatory laws. A final ruling against us could result in a material liability. Moreover, even if we were successful in defending against these challenges, the costs of such defense, both in dollars spent and in management time, could be material and adversely affect our operating results and financial condition. In addition, the negative publicity of these challenges could adversely affect our revenues and ability to attract and retain marketing representatives.

Health Insurance Portability and Accountability Act Compliance

In December 2000, The Department of Health and Human Services issued final privacy regulations pursuant to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) that became effective in April 2003. HIPAA and the applicable regulations impose extensive restrictions on the use and disclosure of individually identifiable health information by certain entities. Also as part of HIPAA, the Department of Health and Human Services has issued final regulations standardizing electronic transactions between health plans, providers and clearinghouses. Health plans, providers, and clearinghouses, are required to conform their electronic and data processing systems with HIPAA s electronic transaction requirements. We may be required to comply with certain aspects of these regulations pertaining to our business.

Our re-pricing software systems are considered HIPAA compliant. We previously engaged a consulting firm to assist us in our efforts to continuously comply with all other HIPAA regulations. We believe that we are in compliance with these regulations. However, because these regulations are relatively new, we do not know how the interpretation and enforcement of the regulations may affect us. We plan to continually audit our compliance, and accordingly cannot give assurance that our costs of continuing to comply with HIPAA will not be material to us. Sanctions for failing to comply with standards issued pursuant to HIPAA include criminal penalties and civil sanctions.

Competition

Consumer Healthcare Savings Programs. Competition for program members within the healthcare savings industry has become more intense. We offer membership programs that provide products and services similar to or directly in competition with products and services offered by our network-marketing competitors as well as the providers of the products and services through other channels of distribution. Competition for new representatives is intense, as these individuals have a variety of products that they can choose to market, whether competing with us in the healthcare market or not.

Our principal competitors are AmeriPlan, Full Access Medical, New Benefits, Inc., CAREington International, International Association of Businesses (IAB), and Family Care. We also compete with all types of network marketing companies throughout the U.S. for new representatives. Our other competitors include large retailers, financial institutions, insurance companies, preferred provider organization networks, and other organizations, which offer benefit programs to their customers. Many of our competitors have substantially larger customer bases and greater financial and other resources.

Principal Competitive Factors. We believe that the principal competitive factors in the consumer healthcare and wholesale membership industries, some of which are not within our control, include:

- the ability to maintain contracts with reputable preferred provider organization networks that offer substantial healthcare savings;
- the ability to identify, develop and offer unique membership healthcare programs;

- the quality and breadth of the membership programs offered;
- the quality and extent of customer service;
- the ability to offer substantial savings on the major-medical costs such as hospital and surgical costs;
- the ability to combine the programs with affordable insurance plans that have high deductibles or set payment for hospitalization;
- prices of products and service offered;
- marketing expertise;
- compensation plans for representatives;
- the ability to hire and retain employees;
- the development by others of member programs that are competitive with Care Entrée s programs;
- responsiveness to customer needs;
- the ability to satisfy investigations on the part of state attorney generals, insurance commissioners and other regulatory bodies;
- the ability to finance promotions for the recruiting of members and representatives; and
- the ability to effectively market the product on the World Wide Web.

While we believe that we are a leader in the industry, there is no assurance that:

- competitors will not develop their own software that re-prices medical bills or a full-service customer service function similar to ours;
- our competitors will not increase their emphasis on programs similar to our programs to more effectively compete with us;
- our competitors will not recruit our independent marketing representatives by offering more attractive sales commissions;
- our competitors will not provide programs comparable or superior to our programs at lower membership fees;
- our competitors will not adapt more quickly to evolving industry trends or changing market requirements;
- new competitors will not enter the market;
- other businesses such as insurance companies or preferred provider organization networks will not themselves introduce competing programs; and

- competitors may develop more effective marketing campaigns that more effectively utilize direct mail and television advertising.

This increased competition may result in price reductions, reduced gross margins and loss of market share, any of which could have a material adverse affect on our business, financial condition and results of operations.

Employees

As of September 30, 2006 we had 161 full-time employees in the following departments:

Customer Services and Claims Administration	71
Executive and Administration	23
Information Services	11
Provider Relations	9
Finance and Accounting	9
Sales and Marketing	10
Data Entry	9
Quality Assurance	10
Utilization Review and Management	9

Our future performance depends in significant part upon the continued service of our key technical and management personnel, and our continuing ability to attract and retain highly qualified and motivated personnel in all areas of our operations. Competition for qualified personnel is intense. We provide no assurance that we can retain key managerial and technical employees, or that we can attract, assimilate or retain other highly qualified personnel in the future. Our employees are not represented by a labor union. We have not experienced any work stoppages, and consider our employee relations to be good.

Facilities

Our corporate offices, operations, and insurance agency are located in 25,000 square feet at 2040 N. Highway 360, Grand Prairie, Texas 75050. Upon the closing of our proposed merger with ICM, we will assume the facilities lease of ICM for property at 4929 Royal Lane in Irving, Texas. We have an agreement with ICM to move in and use its Royal Lane facilities on or before December 31, 2006 in the event the closing does not occur before that date. The offices are occupied under a lease agreement with an unaffiliated third party that expires December 31, 2006. Access occupies 21,170 square feet at 7430 Remcon Circle, El Paso, Texas, 79912. These offices are occupied under a lease agreement with an unaffiliated third party that expires May 31, 2011.

We consider our leased office space and the Royal Lane facility in which we expect to be located adequate for our needs. In the event we are required to relocate our office upon termination of the existing leases, we believe other office space is available on comparable lease terms.

Description	**Payments Due by Period**				
Contractual Obligation	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
Operating leases on real property	$ 1,564,747	$ 325,860	$ 280,502	$ 561,005	$ 397,379

OUR RISK FACTORS

The matters discussed below and elsewhere in this report should be considered when evaluating our business operations and strategies. Additionally, there may be risks and uncertainties that we are not aware of or that we currently deem immaterial, which may become material factors affecting our operations and business success. Many of the factors are not within our control. We provide no assurance that one or more of these factors will not:

- adversely affect the market price of our common stock;
- adversely affect our future operations;
- adversely affect our business;
- adversely affect our financial condition;

- adversely affect our results of operations;
- require significant reduction or discontinuance of our operations;
- require us to seek a merger partner; or
- require us to sell additional stock on terms that are highly dilutive to our shareholders.

THIS PROXY STATEMENT CONTAINS CAUTIONARY STATEMENTS RELATING TO FORWARD LOOKING INFORMATION.

We have included some forward-looking statements in this section and other places in this report regarding our expectations. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements, or industry results, to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Some of these forward-looking statements can be identified by the use of forward-looking terminology including believes, expects, may, will, should or anticipates or the negative thereof or other variations th comparable terminology, or by discussions of strategies that involve risks and uncertainties. You should read statements that contain these words carefully because they:

- discuss our future expectations;
- contain projections of our future operating results or of our future financial condition; or
- state other forward-looking information.

We believe it is important to discuss our expectations; however, it must be recognized that events may occur in the future over which we have no control and which we are not accurately able to predict. Any forward-looking statements contained in this report represent our judgment as of the date of this report. We disclaim, however, any intent or obligation to update these forward-looking statements. As a result, the reader is cautioned not to place undue reliance on these forward-looking statements.

OUR REVENUES ARE LARGELY DEPENDENT ON THE INDEPENDENT MARKETING REPRESENTATIVES, WHO S REDUCED SALES EFFORTS OR TERMINATION MAY RESULT IN SIGNIFICANT LOSS OF REVENUES.

Our success and growth depend in large part upon our ability to attract, retain and motivate the network of independent marketing representatives who principally market our Care Entrée medical savings program. Our independent marketing representatives typically offer and sell the Care Entrée program on a part-time basis, and may engage in other business activities. These marketing representatives may give higher priority to other products or services, reducing their efforts devoted to marketing our Care Entrée program. Also, our ability to attract and retain marketing representatives could be negatively affected by adverse publicity relating to our Care Entrée program and operations.

Under our network marketing system, the marketing representatives downline organizations are headed by a relatively small number of key representatives who are responsible for a substantial percentage of our total revenues. The loss of a significant number of marketing representatives, including any key representatives, for any reason, could adversely affect our revenues and operating results, and could impair our ability to attract new distributors.

A LARGE PART OF OUR REVENUES ARE DEPENDENT ON KEY RELATIONSHIPS WITH A FEW PRIVATE LABEL RESELLERS AND WE MAY BECOME MORE DEPENDENT ON SALES BY A FEW PRIVATE LABEL RESELLERS.

Our revenues from sales of our independent marketing representatives have declined and continue to decline. As a result, we have become more dependent on sales made by private label resellers to whom we sell our discount medical programs. If sales made by our independent marketing representatives continue to decline or if our efforts to increase sales through private label resellers succeed, we may become more dependent on sales made by our private label resellers. Because a large number of these sales may be made by a few number of resellers, our revenues and operating results may be adversely affected by the loss of our relationship with any of those private label resellers.

DEVELOPMENT AND MAINTENANCE OF RELATIONSHIPS WITH PREFERRED PROVIDER ORGANIZATIONS ARE CRITICAL AND THE LOSS OF SUCH RELATIONSHIPS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

As part of our business operations, we must develop and maintain relationships with preferred provider organizations within each market area that our services are offered. Development and maintenance of these relationships with healthcare providers within a preferred provider organization is in part based on professional relationships and the reputation of our management and marketing personnel. Because many members that receive healthcare services are self-insured and responsible for payment for healthcare services received, failure to pay or late payments by members may negatively affect our relationship with the preferred provider organizations. Consequently, preferred provider organization relationships may be adversely affected by events beyond our control, including departures of key personnel and alterations in professional relationships and members failures to pay for services received. The loss of a preferred provider organization within a geographic market area may not be replaced on a timely basis, if at all, and may have a material adverse effect on our business, financial condition and results of operations.

WE CURRENTLY RELY HEAVILY ON ONE KEY PREFFERED PROVIDER ORGANIZATION AND THE LOSS OF OR A CHANGE IN OUR RELATIONSHIP WITH THIS PROVIDER COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

Private Healthcare Systems, Inc. is the principal preferred provider organization through which our members obtain savings on medical services through our Care Entrée program. The loss of Private Healthcare Systems as a preferred provider organization or disruption of our members access to this preferred provider organization could adversely affect our business. While we currently enjoy a good relationship with Private Healthcare Systems, Inc., there are no assurances that we will continue to have a good relationship with this network in the future, or that the network may choose to partner with one of our competitors or compete directly with our Care Entrée program.

WE FACE COMPETITION FOR MARKETING REPRESENTATIVES AS WELL AS COMPETITIVE OFFERINGS OF HEALTHCARE PRODUCTS AND SERVICES.

Within the healthcare savings membership industry competition for members is becoming more intense. We offer membership programs that provide products and services similar to or directly in competition with products and services offered by our network-marketing competitors as well as the providers of such products and services through other channels of distribution. Some of our private label resellers have chosen to sell a product that is competitive to ours in order to maintain multiple sources for their products. Others may also choose to sell competing products. Furthermore, marketing representatives have a variety of products that they can choose to market, whether competing with us in the healthcare market or not.

Our business operations compete in two channels of competition. First, we compete based upon the healthcare products and services offered. These competitors include companies that offer healthcare products and services through membership programs much like our programs, as well as insurance companies, preferred provider organization networks and other organizations that offer benefit programs to their customers. Second, we compete with all types of network marketing companies throughout the U.S. for new marketing representatives. Many of our competitors have substantially larger customer bases and greater financial and other resources.

We provide no assurance that our competitors will not provide healthcare benefit programs comparable or superior to our programs at lower membership prices or adapt more quickly to evolving healthcare industry trends or changing industry requirements. Increased competition may result in price reductions, reduced gross margins, and loss of market share, any of which could adversely affect our business, financial condition and results of operations. There is no assurance that we will be able to compete effectively with current and future competitors.

WE MAY BECOME SUBJECT TO GOVERNMENT REGULATION MUCH LIKE AN INSURANCE COMPANY AND THIS REGULATORY OVERSIGHT MAY ADVERSELY AFFECT OR LIMIT OUR OPERATIONS.

The membership and healthcare benefits we offer are sold without the need for an insurance license by any federal, state or local regulatory licensing agency or commission. In comparison, companies that provide insurance benefits and operate healthcare management organizations and preferred provider organizations are regulated by state licensing agencies and commissions. These regulations extensively cover operations, including scope of benefits, rate formula, delivery systems, utilization review procedures, quality assurance, enrollment requirements, claim payments, marketing and advertising. Several state regulatory agencies and commissions have determined that our Care Entrée programs are subject to governmental regulation. We do not know the full extent of these regulations and additional states may also impose regulation. Our need to comply with these regulations may adversely affect or limit our future operations.

WE HAVE A FIDUCIARY RESPONSIBILITY TO OUR MEMBERS THROUGH OUR TOTAL CARE AND ESSENTIAL CARE PROGRAM OFFERINGS. IN THIS CAPACITY, WE COULD BE LIABLE FOR THE LOSS OF MEMBERS FUNDS DEPOSITED WITH US IN PERSONAL MEDICAL ACCOUNTS.

In the fourth quarter of 2002, we initiated a medical savings program through our Total Care and Essential Care programs that were processed through our subsidiary Foresight, and are now processed through our subsidiary Access Administrators, Inc., as a third-party administrator. Under this medical savings program, funds collected from members are held in Personal Medical Accounts for the benefit of the member as a source of payment for healthcare services obtained through our Total Care and Essential Care programs. Under the medical savings program we have a fiduciary responsibility to our members for the funds held for their benefit much like a trustee. In the unforeseen event of a loss of these funds while being held by us or our failure to implement and maintain adequate internal controls, we will be responsible and liable to the affected members for any such loss, including any consequential damages suffered by the members, which liability could be substantial.

AS A RESULT OF THE INTRODUCTION OF PERSONAL MEDICAL ACCOUNTS, OUR FINANCIAL POSITION AND RESULTS OF OPERATIONS MAY CONTINUE TO BE ADVERSELY IMPACTED BY A DECREASE IN THE NUMBER OF HEALTHCARE SAVINGS PROGRAM MEMBERSHIPS THAT WE CAN SELL AND MAINTAIN.

While we believe that the introduction of our personal medical accounts was an important product evolution, the initial impact of this introduction has negatively affected our business. This impact is the result of additional difficulties in selling and maintaining memberships in our program because of the added complexity. There is no assurance that we will be able to overcome these difficulties, and we may not be able to increase the number of memberships that are sold and maintained. As a result, our financial position and results of operations may be negatively affected.

THE FAILURE OF OUR NETWORK MARKETING ORGANIZATION TO COMPLY WITH FEDERAL AND STATE REGULATION COULD RESULT IN ENFORCEMENT ACTION AND IMPOSITION OF PENALTIES, MODIFICATION OF OUR NETWORK MARKETING SYSTEM, AND NEGATIVE PUBLICITY.

Our network marketing organization is subject to federal and state laws and regulations administered by the Federal Trade Commission and various state agencies. These laws and regulations include securities, franchise investment, business opportunity and criminal laws prohibiting the use of pyramid or endless chain types of selling organizations. These regulations are generally directed at ensuring that product and service sales are ultimately made to consumers (as opposed to other marketing representatives) and that advancement within the network marketing organization is based on sales of products and services, rather than on investment in the company or other non-retail sales related criteria.

The compensation structure of a network marketing organization is very complex. Compliance with all of the applicable regulations and laws is uncertain because of:

- the evolving interpretations of existing laws and regulations; and
- the enactment of new laws and regulations pertaining in general to network marketing organizations and product and service distribution.

Accordingly, there is the risk that our network marketing system could be found to not comply with applicable laws and regulations that could:

- result in enforcement action and imposition of penalty;
- require modification of the marketing representative network system;
- result in negative publicity; or
- have a negative effect on distributor morale and loyalty.

Any of these consequences could have a material adverse effect on our results of operations as well as our financial condition.

THE LEGALITY OF OUR NETWORK MARKETING ORGANIZATION IS SUBJECT TO CHALLENGE BY OUR MARKETING REPRESENTATIVES, WHICH COULD RESULT IN SIGNIFICANT DEFENSE COSTS, SETTLEMENT PAYMENTS OR JUDGMENTS, AND COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Our network marketing organization is subject to legality challenge by our marketing representatives, both individually and as a class. Generally, these challenges would be based on claims that our marketing network program was operated as an illegal pyramid scheme in violation of federal securities laws, state unfair practice and fraud laws and the Racketeer Influenced and Corrupt Organizations Act. Proceedings resulting from these claims could result in significant defense costs, settlement payments, or judgments, and could have a material adverse effect on us.

WE MAY HAVE EXPOSURE AND LIABILITY RELATING TO NON-COMPLIANCE WITH THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996 AND THE COST OF COMPLIANCE COULD BE MATERIAL.

In April 2003 privacy regulations promulgated by The Department of Health and Human Services pursuant to the Health Insurance Portability and Accountability Act of 1996 (HIPAA). HIPAA imposes extensive restrictions on the use and disclosure of individually identifiable health information by certain entities. Also as part of HIPAA, the Department of Health and Human Services has issued final regulations standardizing electronic transactions between health plans, providers and clearinghouses. Healthcare plans, providers and claims administrators are required to conform their electronic and data processing systems to HIPAA electronic transaction requirements. While we believe we are currently compliant with these regulations, we cannot be certain of the extent to which the enforcement or interpretation of these regulations will affect our business. Our continuing compliance with these regulations, therefore, may have a significant impact on our business operations and may be at material cost in the event we are subject to these regulations. Sanctions for failing to comply with standards issued pursuant to HIPAA include criminal and civil sanctions.

DISRUPTIONS IN OUR OPERATIONS DUE TO IMPLEMENTATION OF OUR MANAGEMENT INFORMATION SYSTEM MAY OCCUR AND COULD ADVERSELY AFFECT OUR CLIENT RELATIONSHIPS.

We recently transitioned to our new management information system. This is a proprietary system and we do not rely on any third party for its support and maintenance. There is no assurance that we will be able to continue operating without experiencing any disruptions in our operations or that our relationships with our members, marketing representatives or providers will not be adversely affected or that our internal controls will not be adversely affected.

WE HAVE MANY COMPETITORS AND MAY NOT BE ABLE TO COMPETE EFFECTIVELY WHICH MAY LEAD TO A LACK OF REVENUES AND DISCONTINUANCE OF OUR OPERATIONS.

We compete with numerous well-established companies that design and implement membership programs. Some of our competitors may be companies that have programs that are functionally similar or superior to our membership programs. Most of our competitors possess substantially greater financial, marketing, personnel and other resources than us. They may also have established reputations relating to membership programs.

Due to competitive market forces, we may experience price reductions, reduced gross margins and loss of market share in the future, any of which would result in decreases in sales and revenues. These decreases in revenues would adversely affect our business and results of operations and could lead to discontinuance of operations. There can be no assurance that:

- we will be able to compete successfully;
- our competitors will not develop membership programs that render our programs less marketable or even obsolete; or
- we will be able to successfully enhance our programs when necessary.

THE GOODWILL ACQUIRED PURSUANT TO OUR ACQUISITIONS OF THE CAPELLA GROUP AND ACCESS MAY BECOME IMPAIRED AND REQUIRE A WRITE-DOWN AND THE RECOGNITION OF AN IMPAIRMENT EXPENSE WHICH MAY BE SUBSTANTIAL.

In connection with our acquisitions of The Capella Group and Access, we recorded goodwill that, at June 30, 2006, had an aggregate asset value of $13,072,000. In the event that the goodwill is determined to be further impaired for any reason, we will be required to write-down or reduce the value of the goodwill and recognize an impairment expense. The impairment expense may be substantial in amount and, in such case, adversely affect the results of our operations for the applicable period and may negatively affect the market value of our common stock.

WE MAY FAIL TO REALIZE SOME OR ALL OF THE ANTICIPATED BENEFITS OF OUR ACQUISITION OF ACCESS AND THAT FAILURE COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR FINANCIAL CONDITION.

Our combined company may fail to realize some or all of the anticipated benefits and synergies of our acquisition of Access as a result of, among other things, the failure of Access to renew or maintain its existing service agreements. In addition, the integration of Access business and operations with those of Precis may take longer than anticipated, may be more costly than anticipated, and may have unanticipated adverse results relating to Access or Precis existing businesses or customer base.

IF WE ISSUE SUBSTANTIAL SHARES OF OUR COMMON STOCK UPON ACCESS MEETING CERTAIN EBITDA TARGETS, OUR SHAREHOLDERS COULD SUFFER DILUTION OF THEIR INVESTMENT AND OUR STOCK PRICE COULD DECLINE.

We will be required to issue up to 223,973 additional common stock shares in the event Access attains certain levels of earnings before interest, taxes, depreciation and amortization during 2006. The issuance of these shares could have a substantial dilutive effect on our outstanding common stock as of the date of this report and their market value. The issuance of additional common stock may also adversely affect the terms under which we could obtain additional equity capital.

OUR SUBSIDIARY, ACCESS, DERIVES A LARGE PERCENTAGE OF ITS INCOME FROM A FEW KEY CLIENTS AND THE LOSS OF ANY OF THOSE CLIENTS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Access provides full service third-party administration services to adjudicate and pay medical claims for employers who have self-funded all or any portion of their healthcare costs. Their primary market is governmental entities in the El Paso, Texas metropolitan area, including cities and school districts. There is a limited number of these types of entities in the El Paso metropolitan area. A material portion of the revenues of Access is derived from its contractual relationships with a few key governmental entities. The loss of any of these relationships would adversely affect on our operating results and the loss of more than one of these relationships could have a material adverse effect on our financial condition.

LEGAL PROCEEDINGS

In the normal course of business, we may become involved in litigation or in settlement proceedings relating to claims arising out of our operations. Except as described below, we are not a party to any legal proceedings, the adverse outcome of which, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations.

Kirk, et al v Precis, Inc. and David May. On September 8, 2003, the case styled Robert Kirk, Individually and D/B/A US Asian Advisors, LLC, Eugene M. Kennedy, P.A., Stewart & Associates, CPA s, P.A. and Kimberly Decamp, Plaintiffs vs. Precis, Inc. and David May, Defendants was initiated in the District Court of Tarrant County, Texas, Case No. 236 201 468 03. The plaintiffs Robert Kirk (doing business as US Asian Advisors, LLC or U.S. Asian Capital Investors, LLC and recently convicted of securities fraud and related crimes), Kimberly Decamp and Stewart & Associates, CPA s, P.A. held warrants exercisable for the purchase of 9,000, 48,000 and 4,000 shares, respectively, of our common stock for $9.00 per share on or before February 8, 2005. The plaintiffs Eugene M. Kennedy, P.A. and Kimberly Decamp held stock options that expired on June 30, 2003, and that were exercisable for 15,000 and 170,000 shares, respectively, of our common stock for $9.37 per share. David May was our Secretary and Vice President and General Counsel through January 5, 2004.

The plaintiffs alleged that they were not allowed to exercise their stock options and warrants in May 2003 due to actions and inactions of Mr. May and that these actions and inactions constitute fraud, misrepresentation, negligence and legal malpractice. All communications with Mr. May were through the plaintiffs broker, Burt Martin Arnold Securities, Inc. Plaintiffs sought damages equal to the difference between the exercise price of the stock options or warrants and the market value of our common stock on May 7, 2002 (presumably the closing sale price of $15.75) or an aggregate sum of $1,592,050, plus exemplary damages and costs.

On July 13, 2005, the court entered a judgment in our favor ordering that the plaintiffs take nothing by way of their lawsuit. The order set aside a previous jury verdict in favor of the plaintiffs. The plaintiffs have appealed the judgment and their arguments have been heard by the Court of Appeals for the Second Judicial District of Texas. While we cannot offer any assurance as to the outcome of the appeal, we believe that there exists no basis on which the judgment in our favor will be overturned.

Zermeno v Precis. The case styled *Manuela Zermeno, individually and on behalf of the general public; and Juan A. Zermeno, individually and on behalf of the general public v Precis, Inc., an Oklahoma corporation and Does 1 through 100, inclusive* was filed on August 14, 2003 in the Superior Court of the State of California for the County of Los Angeles.

A second case styled *California Foundation for Business Ethics, Inc., a California non-profit corporation, v Precis, Inc., and Does 1 through 100, inclusive* was filed on September 9, 2003, in the Superior Court of the State of California for the County of Los Angeles.

The two above cases were removed to the United States District Court for the Central District of California and consolidated by order of the court, on December 4, 2003.

The Zermeno plaintiffs are former members of the Care Entrée discount health care program who allege that they (for themselves and for the general public) are entitled to injunctive, declaratory, and equitable relief. Plaintiffs First Amended Complaint set forth three distinct claims under California law. Plaintiffs first cause of action alleged that the operation of our Care Entrée program violates Health and Safety Code §445 (Section 445) that governs medical referral services. Next, Plaintiffs alleged that they are entitled to damages under Civil Code §§1812.119 and 1812.123, which are part of the broader statutory scheme governing the operation of discount buying organizations, Civil Code 1812. 100 *et. Seq.* (Section 1812.100). Plaintiffs third cause of action sought relief under Business and Professions Code § 17200, California s Unfair Competition Law (Section 17200).

We fully settled all the claims brought by the California Foundation for Business Ethics, Inc. With the Zermeno plaintiffs, we settled the causes of action related to Civil Code §§ 1812.100. The claim under Section 445 and the related claim under Section 17200 remain pending and have been assigned to the Superior Court of California, Los Angeles County under case number BC 300788. A negative result in this case would have a material affect on the Company s financial condition and would limit our ability (and that of other healthcare discount programs) to do business in California.

Management believes that we have complied with all applicable statues and regulations in the state of California. Although management believes the Plaintiffs claims are without merit, we cannot provide any assurance regarding the outcome or results of this litigation.

State of Texas v The Capella Group, Inc. et al. The State of Texas filed a lawsuit against our subsidiary, The Capella Group, Inc. d/b/a Care Entrée, and Equal Access Health, Inc. (including various names under which Equal Access Health, Inc. does business) on April 28, 2005. Equal Access Health is a third party marketer of our discount medical card programs, but is otherwise not affiliated with our subsidiaries or us. The lawsuit alleges that Care Entrée directly and through at least one other party that resells Care Entrée s services to the public, violated certain provisions of the Texas Deceptive Trade Practices Consumer Protection Act. The lawsuit seeks, among other things, injunctive relief, unspecified monetary penalties and restitution. We believe that the allegations are without merit and are vigorously defending this lawsuit. The lawsuit was filed in the 98th District Court of Travis County, Texas as case number GV501264. Management believes that the allegations are without merit and we are vigorously defending the lawsuit. We have always insisted that our programs be sold in an honest and forthright manner and have worked to protect the interests of consumers in Texas and all other states. Unfavorable findings in this lawsuit could have a material adverse effect on our financial condition and results of operations. No assurance can be provided regarding the outcome or results of this litigation.

Action by the California Department of Managed Health Care. The California Department of Managed Health Care (the DMHC) is responsible for the administration and enforcement of the Knox-Keene Health Care Service Act of 1975 (the Knox-Keene Act), a set of laws that regulate health maintenance organizations or HMOs and impose licensing requirements on those organizations. This licensing process is in part to ensure that the financial resources of the HMO are sufficient to cover the cost of providing the promised healthcare. In 2001 the DMHC issued an interpretive opinion (the Zingale Opinion) that concluded that the healthcare discount programs, like those offered and sold by our subsidiary, The

Capella Group, Inc. d/b/a Care Entrée, are not similar to insurance programs that the Knox-Keene Act is intended to regulate and therefore the Knox-Keene Act does not apply to healthcare discount programs. The DMHC rescinded that opinion in 2005.

In 2005, the DMHC initiated an investigation to determine the applicability of the Knox-Keen Act to the membership programs we offer and sell to California residents through Capella. In July 2005, the DMHC issued a Cease and Desist Order, finding that Capella s Care Entrée discount program is subject to the licensing requirements and regulation under the Knox-Keene Act, under the jurisdiction of the DMHC. We agreed with and had relied upon the Zingale Opinion. Accordingly, Capella contested the order in an administrative proceeding with the DMHC. On July 13, 2006, the Administrative Law Judge hearing Capella s appeal issued a Proposed Decision, concluding , among things, that the cease and desist order be upheld in part, and modified in part. While the Administrative Law Judge found that Capella was entitled to rely on the Zingale Opinion and therefore should not be penalized for its activities prior to the DMHC s rescission of the Zingale Opinion in 2005, the judge found that the Knox-Keen Act does apply to our membership programs and the DMHC does have jurisdiction over such programs.

On September 26, 2006, we entered into a Settlement Agreement with the DMHC. The agreement allows us to continue to do business in California but requires us to pursue a Knox-Keene license. We were not required to pay any penalties or restitution.

Investigation of National Center for Employment of the Disabled, Inc. and Access HearthSource, Inc. In June 2004 we purchased Access HealthSource, Inc. (Access) and its subsidiaries from National Center for Employment of the Disabled, Inc. (now known as Ready One Industries, NCED). Robert Jones, the C.E.O. of NCED was elected to and served on our Board of Directors until his March 2006 resignation. Frank Apodaca, our President and the President and C.E.O. of Access HealthSource, Inc. served as Chief Administrative Officer for NCED. He also served on the Board of Directors of NCED until his resignation in March 2006. Until July 2006, his employment agreement with us allowed him to spend up to 20% of his time on matters related to NCED s operations. NCED is one of our greater than 10% shareholders as a result of shares it received from our purchase Access.

NCED provides services to the United States government under various contracts that were awarded to NCED under a federal program that encouraged the use of facilities whose work force is composed of 75% or more disabled workers. In 2006, investigations into NCED revealed that it may not have employed a sufficient number of disabled workers to meet the program s requirements. Although we believe that Access was not involved in the contracting for NCED s federal contracts and was not involved in NCED s operations either before or after our acquisition of Access, the investigation of NCED may lead to allegations that either Access or Mr. Apodaca were involved in inappropriate or illegal activities. The investigation of NCED may also lead to other investigations of Access contracting processes and operations. The investigation is in the earlier stages and the outcomes are not currently determinable. There are currently no legal actions related to this matter pending against Access or Mr. Apodaca. Because of these investigations and any related allegations or charges and the associated unfavorable publicity, Access may lose its local government clients. The loss of these clients and the resulting loss of revenue could have a material adverse effect on our financial condition and result of operations.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management s Overview

Certain forward-looking statements contained in this Proxy Statement regarding our business and prospects are based upon numerous assumptions about future conditions that may ultimately prove to be inaccurate and actual events and results may materially differ from anticipated results described in the forward-looking statements. Our ability to achieve these results is subject to the risks and uncertainties discussed in Our Risk Factors, above. Any forward-looking statements contained in this Proxy Statement represent our judgment as of the date of this Proxy Statement. We disclaim, however, any intent or obligation to update these forward-looking statements. As a result, the reader is cautioned not to place undue reliance on these forward-looking statements.

Consumer Healthcare Savings Solutions. We offer savings on healthcare services throughout the United States to persons who are under-insured or uninsured. These savings are offered by accessing the same preferred provider organizations (PPOs) that are utilized by many insurance companies. These programs are sold through a network marketing strategy under the name Care Entrée and through third party marketers under their own brand names. We design these programs to benefit healthcare providers as well as the network members. Providers commonly give reduced or preferred rates to PPO networks in exchange for steerage of patients. However, the providers must still file claim forms and wait 30 to 60 days to be paid for their services. Our programs utilize these same networks to obtain the same savings for the Care Entrée program members. However, the healthcare providers are paid immediately for their services and are not required to file claim forms. We provide transaction facilitation services to both the program member and the healthcare provider.

Our Independent Marketing Representatives (IMRs) may enroll as representatives by paying an enrollment fee and signing a standard representative agreement. We pay independent marketing representatives commissions of 100% of the membership fees in the month of a membership sale for the members they enroll. After the month of membership sales, we pay independent marketing representatives 20% of the membership fees of members they enroll for the life of that members enrollment. Independent marketing representatives can also recruit other representatives and earn override commissions on sales made by those recruited representatives. We pay a total of up to 35% in override commissions down through seven levels. In the month of membership sales, no override commissions are paid to the representative s upline. In addition, we have established bonus pools that allow independent marketing representatives who have achieved certain levels to receive additional commissions measured by our revenues attributable to the Care Entrée programs. The total regular or ongoing commission payout, including overrides on monthly membership sales after the enrollment month and our contribution to the bonus pools, is up to 60% of qualified membership sales.

We also design healthcare membership programs for employer groups and third party marketers. Memberships in these programs are offered and sold by direct marketing through direct sales or in-bound direct marketing. We believe that our clients, their members and the vendors of the products and services offered through the programs, all benefit from our membership service programs. The products and services are bundled, priced and marketed utilizing relationship marketing strategies or inbound direct marketing to target the profiled needs of the clients particular member base. Our memberships sold by third-party organizations are generally marketed using the third-party s name or brand or under our wholesale brand For Your Good Health. We refer to these programs and membership sales as wholesale programs or private label programs. While the services offered to consumers by these private label programs are generally similar to the services we offer through Care EntréeTM, each of the private label programs can bundle our services to fit the needs of their consumers.

In the third quarter of 2005, we began offering neutraceuticals, consisting of vitamins, minerals and other nutritional supplements, under the Natrience brand. Neutraceutical sales commenced in late

September 2005, but were immaterial through June 30, 2006. Effective June 30, 2006, we discontinued its operations and wrote off the assets of this division.

Employer and Group Healthcare Services. With our acquisition of Access Health Source, Inc. (Access) in June 2004, we provide a wide range of healthcare claims administration services and other cost containment procedures that are frequently required by governments and other employers who have chosen to self fund their healthcare benefits requirements. With the services of Access, we offer a more complete suite of healthcare services. Access primary area of expertise is in the public sector market.

Financial Services. Through our subsidiary, Care Financial of Texas, LLC (Care Financial), we offer high deductible and scheduled benefit insurance policies, life insurance and annuities. The high deductible and scheduled benefit insurance policies offer affordable, well-rounded solutions for individuals and employers who are no longer able to afford or obtain traditional health insurance policies. Commission revenue related to these policies was $24,000 during the second quarter of 2006. The insurance policies are sold through our independent marketing representatives who are licensed insurance agents and other licensed agents who are not Care Entrée independent marketing representatives that are now managed by an outside agency on an independent contractor basis.

Critical Accounting Policies

Revenue Recognition

Healthcare Membership Revenues. We recognize our Care Entrée program membership revenues, other than initial enrollment fees, on each monthly anniversary date. Membership revenues are reduced by the amount of estimated refunds. For members that are billed directly, the billed amount is collected almost entirely by automated clearinghouse, electronic check or by electronic charge to the members credit cards. The settlement of those charges occurs within a day or two. Under certain private label arrangements, our private label partners bill their members for the membership fees and our portion of the membership fees is periodically remitted to us. During the time from the billing of these private-label membership fees and the remittance to us, we record a receivable from the private label partners and record an estimated allowance for uncollectible amounts. The allowance of uncollectible receivables is based upon review of the aging of outstanding balances, the credit worthiness of the private label partner and its history of paying the agreed amounts owed.

Membership enrollment fees, net of direct costs, are deferred and amortized over the estimated membership period that averages eight to ten months. Independent marketing representative fees, net of direct costs, are deferred and amortized over the term of the applicable contract. Judgment is involved in the allocation of costs to determine the direct costs netted against those deferred revenues, as well as in estimating the membership period over which to amortize such net revenue. We maintain a statistical analysis of the costs and membership periods as a basis for adjusting these estimates from time to time.

Access Third Party Administration. Access principal sources of service revenues include administrative fees for third party claims administration, network provider fees for the preferred provider network and utilization and management fees. These fees are based on monthly or per member per month fee schedules under specified contractual agreements. Revenues from these services are recognized in the periods in which the services are performed and when collection is reasonably assured.

Commission Expense. Commissions are paid to our independent marketing representatives in the month following the month in which a member has enrolled in our Care Entrée program. After the initial month of enrollment, commissions are paid in the month following the month in which we receive the related monthly membership renewal fees. We do not pay advanced commissions on membership sales. Commissions are based on established commission schedules and are determined and accrued based upon the recognition of the related healthcare membership revenue, as described above.

Fixed Assets. Property and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the

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estimated useful lives of the related assets for financial reporting purposes. Leasehold improvements are depreciated using the straight-line method over the shorter of their estimated useful lives or the lease term.

The estimation of useful lives is based, in part, upon past experience with similar assets and upon our plans for the utilization of the assets in the future. We periodically review fixed assets, including software, whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable or their depreciation or amortization periods should be accelerated. When any value impairment is determined to exist, the related assets are written down to their fair market value. If we determine that the remaining useful life, based upon known events and circumstances, should be shortened, the depreciation or amortization of the related asset is adjusted on a prospective, going-forward basis based upon the shortened useful lives.

Intangible Asset Valuation. Our intangible assets as of June 30, 2006, consist primarily of goodwill of $13,072,000. Goodwill represents the excess of acquisition costs over the fair value of net identifiable assets acquired. Goodwill is not amortized. Additionally, intangible assets include $1,190,000 of contracts, net of amortization, acquired as part of our acquisition of Access. During the year ended December 31, 2005, our intangible assets were reduced by $12,900,000 to reflect the impairment of goodwill related to our acquisition of The Capella Group, Inc. and its Care Entrée program in 2001.

Income Taxes. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of assets and liabilities for financial and income tax reporting. The net deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. During the three months ended June 30, 2006, we evaluated the probability of recognizing the benefit of deferred tax assets through the reduction of taxes otherwise payable in the future and recorded a $51,000 adjustment to our deferred tax asset valuation allowance to offset a corresponding increase in deferred tax assets. In our opinion, it is more probable than not that the net assets will be realized.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard SFAS No. 123I, Share-Based Payment, SFAS 123(R) a revision to SFAS No. 123, Accounting for Stock-Based Compensation. SFAS 123(R) eliminates the alternative to record compensation expense using the intrinsic value method of accounting under Accounting Principles Board Opinion 25 (Opinion 25) that was provided in SFAS No. 123 as originally issued.

Under Opinion 25, issuing stock options to employees generally resulted in the recognition of no compensation cost if the options were granted with an exercise price equal to their fair value at the date of grant. SFAS 123(R) requires companies to measure and record the cost of employee services received in exchange for an award of equity instruments based on the fair value of the award at the date of grant (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service.

We adopted the modified prospective method of applying SFAS 123(R) as of January 1, 2006. Under SFAS 123(R), we are required to recognize compensation expense, over the applicable vesting period, based on the fair value of (1) any unvested awards subject to SFAS 123(R) existing as of January 1, 2006, and (2) any new awards granted subsequent to the adoption date. See Note 2, Stock Based Compensation in the Notes of our Unaudited Condensed Consolidated Financial Statements appearing elsewhere in this Report for the effect of adoption on our consolidated financial statements. The effect of this adoption is a stock-based compensation expense of $27,000 and $17,000 for first quarter and second quarter 2006, respectively.

Reclassifications

Certain prior period amounts have been reclassified for financial reporting purposes to conform to the current period s presentation.

Results of Operations Six Months Ended June 30, 2006 and 2005

Consumer Healthcare Savings

As discussed above, our Consumer Healthcare Savings segment, our largest segment, offers savings on healthcare services to persons who are un-insured, under-insured, or who have elected to purchase only high deductible or limited benefit medical insurance policies, by providing access to the same preferred provider organizations (PPOs) that are utilized by many insurance companies and employers who self-fund at least a portion of their employee s healthcare risk. These programs are sold primarily through a network marketing strategy and private label programs. The operating results for our Consumer Healthcare Savings segment were as follows:

	For the Six Months Ended June 30,		Six-Month Change	
	2006	2005	Amount	Percent
	(Dollars in Thousands)			
Revenues	$ 7,826	$ 11,814	$ (3,988)	(33.8)%
Operating expenses:				
Cost of operations	2,854	4,785	(1,931)	(40.4)%
Sales and marketing	2,661	3,472	(811)	(23.4)%
General and administrative	2,212	3,739	(1,527)	(40.8)%
Total operating expenses	7,727	11,996	(4,269)	(35.6)%
Operating (loss) income	$ 99	$ (182)	$ 281	(154.6)%

	For the Year Ended December 31,						
		Annual Change			Annual Change		
	2005	Percent	Amount	2004	Percent	Amount	2003
	(Dollars in Thousands)						
Revenues	$ 21,217	(35.0)%	$ (11,408)	$ 32,625	(18.1)%	$ (7,225)	$ 39,850
Operating expenses:							
Cost of operations	8,047	(38.8)%	(5,103)	13,150	9.2 %	1,107	12,043
Sales and marketing	6,642	(37.2)%	(3,932)	10,574	(30.2)%	(4,575)	15,149
General and administrative	6,442	(16.4)%	(1,264)	7,706	61.1 %	2,923	4,783
Total operating expenses	21,131	(32.8)%	(10,299)	31,430	(1.7)%	(545)	31,975
Operating (loss) income	$ 86	(92.8)%	$ (1,109)	$ 1,195	(84.8)%	$ (6,680)	$ 7,875

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2006	2005	2005	2004	2003
Percent of Revenues:					
Revenues	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Operating expenses:					
Cost of operations	36.5 %	40.5 %	37.9 %	40.3 %	30.2 %
Sales and marketing	34.0 %	29.4 %	31.3 %	32.4 %	38.0 %
General and administrative	28.2 %	31.6 %	30.4 %	23.6 %	12.0 %
Total operating expenses	98.7 %	101.5 %	99.6 %	96.3 %	80.2 %
Operating (loss) income	1.3 %	(1.5)%	0.4 %	3.7 %	19.8 %

Certain prior period amounts have been reclassified to conform to the current period s financial presentation.

Revenues. Our Care Entrée Consumer Healthcare Savings programs have been under continuing pressure from increasing competition and regulatory scrutiny, as well as the unwillingness of some healthcare providers to accept our savings cards based on concerns over assurance of payment. In late 2002, we implemented an escrow, or personal medical account (PMA), requirement to address provider concerns over assurance of payment. While this feature has shown success in improving healthcare provider acceptance, it has made our programs more complex and difficult to sell. As of September 30, 2006, the percentage of our individual members who had made escrow PMA deposits was approximately 38% of the total individual healthcare membership base. This excludes our private label programs, where the PMA features have not been mandated.

In some of the states in which we have a significant number of members, especially Florida, Texas, Illinois, and California, our healthcare savings products are under scrutiny and criticism by state regulators and officials. To address these concerns, we have voluntarily removed the PMA features from our programs in California and Illinois and expect to remove this feature from programs in other states in the near future. In addition, administration of the PMA program in Florida has been modified so that the failure to deposit money into the PMA does not restrict Care Entrée members from seeing a provider. This regulatory scrutiny has impaired our ability to market these products in those states and elsewhere, further contributing to the decline in membership enrollments and increases in terminated memberships.

We are currently evaluating alternative products which we may be able to offer in the future in place of the products with PMA features. The table below reflects the decline in our Care Entrée Consumer Healthcare Savings program membership over the two and one half years ended June 30, 2006:

Care Entrée Membership
(Count at End of Quarter)

	1st Qtr 2004	2nd Qtr 2004	3rd Qtr 2004	4th Qtr 2004	1st Qtr 2005	2nd Qtr 2005	3rd Qtr 2005	4th Qtr 2005	1st Qtr 2006	2nd Qtr 2006
Member count	79,087	74,616	63,840	56,955	51,895	46,514	41,958	37,952	37,281	35,823
Percent change	(2.7)%	(5.7)%	(14.4)%	(10.8)%	(8.9)%	(10.4)%	(9.8)%	(9.6)%	(1.8)%	(3.9)%
Average revenue per member, net of sales and marketing costs	$ 26.56	$ 25.81	$ 25.69	$ 25.02	$ 25.70	$ 26.24	$ 26.16	$ 24.03	$ 23.86	$ 22.54

During the second quarter of 2006, the decline in our member count resumed somewhat due to decreases in IMR sales. During 2006, the decline in members moderated due to resumption of sales from a major private label in January. This trend resulted in a drop in average revenue per member, net of sales and marketing costs, throughout the two and one half years. Sales from private label programs have a lower average net revenue per member and gross profit margin than those of IMR s.

Although the implementation of PMA requirements negatively impacted our membership base and consequently our revenues and net earnings in 2004 and 2005, the PMA requirements were necessary to provide some assurance of payment to the healthcare providers and, accordingly, their continued willingness to provide healthcare services to our members. This strategic move was critical to our long-term operational and financial viability in the health card savings market, as many healthcare providers throughout the United States will no longer accept a health discount card. We are currently exploring additional alternatives that may address the healthcare providers concerns related to assurance of payment and that may be better received by potential members as well as our current members and anticipate winding down our PMA feature in the coming months. In conjunction with our due diligence and strategic planning associated with our planned acquisition of ICM and its subsidiaries and its web-based technology, specialty products and marketing for the insurance and financial services industry, we have accelerated our development and evaluation of new products intended to provide access to affordable healthcare for consumers, while reducing costs associated with providing such products.

Members PMA or cash-in-trust balances declined to $4,631,000 as of June 30, 2006 from $5,585,000 as of December 31, 2005 primarily as a result of the termination of the Care Entrée program PMA feature in California after having increased steadily from $4,922,000 as of December 31, 2004 and from $2,768,000 as of December 31, 2003.

Throughout 2005 and 2006, we have continued the measures and initiatives commenced earlier in the year to improve our operating efficiencies and performance, especially through cost reductions. These measures and initiatives include (i) the integration of Access management members with our management team, as mentioned, (ii) the termination of certain equipment capital leases, (iii) personnel reductions and other cost reduction actions, (iv) the exploration of additional products to compliment our core healthcare savings product, and (v) the providing additional compensatory incentives to our independent marketing representatives. These measures have successfully reduced the cost structure associated with our Care Entrée and private label membership programs. We believe the annualized estimated cost savings will be significant. During the first quarter of 2006, we resumed sales of our consumer healthcare savings products to a private-label reseller who, in early 2005, had discontinued sales of those products. That, together with other improvements in the sales of those products, has led to increases in new enrollments such that, as of the last half of that first quarter of 2006, the decline in memberships appears, for now, to have been significantly reduced.

Cost of Operations. For the year ended December 31, 2005, the decrease in cost of operations was primarily due to reductions in fixed costs of $1,118,000 primarily related to termination of certain equipment leases, described above, as well as decreased variable costs of $2,584,000 primarily due to decreased provider network and bank fees related to decreased revenue in our Consumer Healthcare Savings segment. Additionally, during 2005 we wrote off $788,000 of unreserved trade and note receivables from certain of our private label partners in the fourth quarter of 2004. The increase in cost of operations as a percentage of revenue from 2003 to 2004 of 10.1% is primarily due to the provision charge for doubtful accounts in 2004 and increase in additional processing costs of $733,000 to administer PMA and claims processing. For the six-month period ending June 30, 2006 and 2005, the decrease in cost of operations was primarily due to a reduction of fixed costs of $868,000 primarily related to reduced personnel costs and termination of certain equipment leases, described above, as well as decreased variable costs of $668,000 primarily due to decreased provider network and bank fees related to decreased revenue in our Consumer Healthcare Savings segment.

Sales and Marketing Expenses. The decreases in sales and marketing expenses from 2004 to 2005 and from 2003 to 2004 were primarily due to decreases in commissions related to the decreased membership revenue of the Care Entrée program. These commission decreases were accentuated by the departure of independent marketing representatives from the upper ranks of our multi-level marketing network through which our Care Entrée program is offered and elimination of the associated over-ride commissions, resulting in a lower percentage of commissions as a percent of revenue. The decrease from 2004 to 2005 was partially offset by $125,000 of personnel severance costs incurred during 2005. The decrease from 2003 to 2004 also includes decreases in sales staff and consulting costs of $450,000, other commission incentive programs of $83,000 and regional conventions of $83,000.

The decrease in sales and marketing expenses from the second quarter of 2005 to the second quarter of 2006 was primarily due to the decrease in commissions related to the decreased membership revenue of the Care Entrée program. The commission decrease was accentuated by the departure of independent marketing representatives from the upper ranks of our multi-level marketing network through which our Care Entrée program is offered and elimination of the associated over-ride commissions, resulting in a lower percentage of commissions as a percent of revenue. The decrease was partially offset by an increase in consulting and other marketing costs of $541,000 for the six month period of 2006 related to our Care Entrée sales and marketing initiatives. The increase in sales and marketing as a percentage of revenue for the six months of 2006 were primarily due to increases in our direct marketing and new product testing activities.

General and Administrative Expenses. General and administrative expenses declined from 2004 to 2005 due to the cost reduction measures discussed above, primarily related to reductions in employees and the associated salaries and benefits. The increase in General and Administrative expenses from 2003 to 2004 is primarily related to salary increases, severances and contract staff of $371,000, legal fees and settlements of $548,000, depreciation and amortization of $549,000, charitable contributions of $175,000, business development/advertising of $150,000 and increased expense on leased equipment of $128,000.

The decrease in general and administrative expenses from 2005 to 2006 and as a percentage of revenues is primarily due to the continued cost reduction measures that began in 2005.

Employer and Group Healthcare Services

The primary element of our Employer and Group Healthcare Services segment is our wholly-owned subsidiary, Access. Access provides a wide range of healthcare claims administration services and other cost containment procedures that are frequently required by governments and other large employers who have chosen to self-fund their healthcare benefits requirements. The operating results for our Employer and Group Healthcare Services segment were as follows:

	For the Six Months Ended June 30,		Six-Month Change	
	2006	2005	Amount	Percent
	(Dollars in Thousands)			
Revenues	$ 3,859	$ 4,219	$ (360)	(8.5)%
Operating expenses:				
Cost of operations	2,382	2,589	(207)	(8.0)%
Sales and marketing	319	390	(71)	(18.2)%
General and administrative	306	315	(9)	(2.9)%
Total operating expenses	3,007	3,294	(287)	(8.7)%
Operating income	$ 852	$ 925	$ (73)	(7.9)%

	For the Year Ended December 31,	Annual Change			Annual Change		
	2005	Percent	Amount	2004	Percent	Amount	2003
	(Dollars in Thousands)						
Revenues	$ 8,537	109.3 %	$ 4,458	$ 4,079	100.0 %	$ 4,079	$
Operating expenses:							
Cost of operations	2,850	80.2 %	1,268	1,582	100.0 %	1,582	
General and administrative	3,942	111.1 %	2,075	1,867	100.0 %	1,867	
Total operating expenses	6,792	96.9 %	3,343	3,449	100.0 %	3,449	
Operating income	$ 1,745	177.0 %	$ 1,115	$ 630	100.0 %	$ 630	$

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2006	2005	2005	2004	2003
Percent of Revenues:					
Revenues	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Operating expenses:					
Cost of operations	61.7 %	61.4 %	37.9 %	40.3 %	30.2 %
Sales and marketing	8.3 %	9.21 %			
General and administrative	7.9 %	7.5 %	30.4 %	23.6 %	12.0 %
Total operating expenses	77.9 %	78.1 %	99.6 %	96.3 %	80.2 %
Operating income	22.1 %	21.9 %	0.4 %	3.7 %	19.8 %

Certain prior period amounts have been reclassified to conform to the current period s presentation.

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Revenues. The primary element of our Employer and Group Healthcare Services segment is our wholly-owned subsidiary, Access HealthSource, Inc. (Access), which we acquired in June 2004, through which we offer full-third party administration services. Through Access we provide a wide range of healthcare claims administration services and other cost containment procedures that are frequently required by state and local governmental entities and other large employers that have chosen to self fund their required healthcare benefits. Also through Access, we provide employee group s access to preferred provider networks, medical escrow accounts and full third-party administration capabilities to adjudicate and pay medical claims.

Employer and Group Healthcare Services revenues during 2005 increased primarily because results of operations for Access were only included since the date of its acquisition on June 18, 2004. If Access results of operations were included throughout 2003 and 2004, revenues for this segment would have been $6,960,000 for 2004 and $6,161,000 for 2003, while operating income would have been $734,000 for 2004 and $360,000 for 2003. The increases of pro forma revenues and operating income during those years resulted primarily from the addition of a new service contract and expansion of services to two existing customers.

The decline in Employer and Group Healthcare Services revenues from the second quarter of 2006 to the second quarter of 2005 was due to the loss, in late 2005, of a significant customer.

Cost of Operations. Cost of operations for the Employer and Group Healthcare Services segment decreased primarily as a result of decrease in revenues discussed above. The cost of operations as a percent of revenue decreased 5.4 percentage points as the result of the new service contract that allows our fixed cost of operations to be spread over more revenue dollars. Further contributing to the percentage decrease was the automation of claims processing which reduced our salary and related costs as a percentage of revenue. As such, we were able to generate a corresponding increase in operating income as a percentage of revenue.

Sales and Marketing. Sales and marketing expenses for the Employer and Group Healthcare Services segment are negligible, as Access maintains direct relationships with its large self-funded clients in the El Paso market and does not utilize advertising or outside sales forces. Sales and marketing expenses of the Employer and Group Healthcare Services for the six months ended June 30, 2006 decreased primarily due to a decrease in commissions related to a decrease in new clients and a decrease in public relations costs.

General and Administrative. General and administrative costs as a percentage of revenue for the Employer and Group Healthcare Services segment decreased from 2005 to 2006 primarily due to legal fees incurred during 2005 for a one-time contract audit request.

Financial Services

During second quarter 2006, we reduced the costs associated with this segment, as we moved toward an agency arrangement that will substantially reduce our fixed operating costs and discontinued the consulting arrangement related to the management of the insurance sales force. These efforts continued through the end of second quarter 2006 and have resulted in significantly lower operating losses for our financial services segment.

The operating results for our Financial Services segment were as follows:

	For the Six Months Ended June 30,			
			Six-Month Change	
	2006	2005	Amount	Percent
	(Dollars in Thousands)			
Revenues	$ 85	$ 232	$ (147)	(63.4)%
Operating expenses:				
Cost of operations	1	32	(31)	(96.9)%
Sales and marketing	134	161	(27)	(16.8)%
General and administrative	59	487	(428)	(87.9)%
Total operating expenses	194	680	(486)	(71.5)%
Operating loss	$ (109)	$ (448)	$ 339	(75.7)%

	For the Year Ended December 31,						
		Annual Change			Annual Change		
	2005	Percent	Amount	2004	Percent	Amount	2003
	(Dollars in Thousands)						
Revenues	$ 389	(47.0)%	$ (345)	$ 734	96.3 %	$ 360	$ 374
Operating expenses:							
Cost of operations	76	100.0 %	76		%		
Sales and marketing	345	(13.1)%	(52)	397	520.3 %	333	64
General and administrative	568	(59.4)%	(830)	1,398	227.4 %	971	427
Total operating expenses	989	(44.9)%	(806)	1,795	265.6 %	1,304	491
Operating (loss) income	$ (600)	(43.4)%	$ 461	$ (1,061)	806.8 %	$ (944)	$ (117)

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2006	2005	2005	2004	2003
Percent of Revenues:					
Revenues	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Operating expenses:					
Cost of operations	1.2 %	13.8 %	19.5 %	%	%
Sales and marketing	157.6 %	69.4 %	88.7 %	54.1 %	17.1 %
General and administrative	69.4 %	209.9 %	146.0 %	190.5 %	114.2 %
Total operating expenses	228.2 %	293.1 %	254.2 %	244.6 %	131.3 %
Operating loss	(128.2)%	(193.1)%	(154.2)%	(144.6)%	(31.1)%

Certain prior period amounts have been reclassified to conform to the current period s financial presentation.

Our revenues from sales of annuities and life insurance policies by our network marketing representatives increased from 2003 to 2004 as we grew this new segment of our operations. Unfortunately, such revenues were not sufficient to recover costs that we were incurring to launch and manage this business. During 2005, we reduced the costs associated with this segment, as we moved toward an agency arrangement that will substantially reduce our fixed operating costs and discontinued the consulting arrangement related to the management of the insurance sales force. These efforts continued through the end of 2005 and have resulted in significantly lower operating losses for our financial services segment.

Corporate

	For the Six Months Ended June 30, 2006	2005	Six-Month Change Amount	Percent
	(Dollars in Thousands)			
General and administrative	$ 900	$ 1,401	$ (501)	(35.8)%
Goodwill impairment		9,900	(9,900)	(100.0)%
Total operating expenses	900	11,301	(10,401)	(92.0)%
Operating loss	$ (900)	$ (11,301)	$ (10,401)	(92.0)%

	For the Year Ended December 31, 2005	Annual Change Percent	Amount	2004	Annual Change Percent	Amount	2003
	(Dollars in Thousands)						
General and administrative	$ 2,136	82.4 %	$ 965	$ 1,171	45.8 %	$ 368	$ 803
Goodwill impairment	12,900	545.0 %	10,900	2,000	100.0 %	2,000	
Total operating expenses	$ 15,036	374.2 %	$11,865	$3,171	294.9 %	$2,368	$ 803

Certain prior period amounts have been reclassified to conform to the current period s presentation.

General and Administrative Expenses. General and Administrative Expenses. General and administrative expenses for 2005 included a $775,000 charge resulting from severance compensation payable to some of our former officers. The increase in general and administrative expenses also related to increased costs associated with auditing fees of $124,000 and investor relations expenses of $51,000. The decrease in general and administrative expenses during the second quarter of 2006 compared to the second quarter of 2005 is due to a $800,000 charge resulting from severance compensation payable to former officers in the second quarter of 2005. The decrease for the six months ended is somewhat offset by increased audit, audit-related and tax fees and new stock-based compensation expense in 2006.

Impairment of Goodwill. As discussed above (see Critical Accounting Policies Intangible Asset Valuation), during 2005 we recorded an impairment loss related to The Capella Group, Inc. and its Care Entrée program of $12,900,000. This impairment charge was not allocated to the Consumer Healthcare Savings segment.

Discontinued Operations Non-Healthcare Membership Programs

The operating results for our Non-Healthcare Membership Programs segment were as follows:

	For the Year Ended December 31, 2005	Annual Change Percent	Amount	2004	Annual Change Percent	Amount	2003
	(In thousands, except per share data)						
Revenues	$ 1,065	20.9 %	$ 184	$ 881	(52.7)%	$ (982)	$ 1,863
Operating expenses:							
Cost of operations	745	2.9 %	21	724	(33.1)%	(359)	1,083
Sales and marketing	205	56.5 %	74	131	(63.6)%	(229)	360
General and administrative	91	(64.0)%	(162)	253	(65.1)%	(472)	725
Total operating expenses	1,041	(6.0)%	(67)	1,108	(48.9)%	(1,060)	2,168
Operating (loss) income	$ 24	Nil	$ 251	$ (227)	(25.6)%	$ 78	$ (305)

	For the Year Ended December 31, 2005	2004	2003
Percent of Revenues:			
Revenues	100.0 %	100.0 %	100.0 %
Operating expenses:			
Cost of operations	70.0 %	82.2 %	58.1 %
Sales and marketing	19.2 %	14.9 %	19.3 %
General and administrative	8.5 %	28.7 %	39.0 %
Total operating expenses	97.7 %	125.8 %	116.4 %
Operating (loss) income	2.3 %	(25.8)%	(16.4)%

Certain prior period amounts have been reclassified to conform to the current period s presentation.

This segment has not been a core element of our strategic plans for some time, but efforts have been made to maintain or moderately grow the segment s revenues, while significantly reducing its costs. From 2004 to 2005, the small increase in revenue was primarily related to increased volume from existing dealers and a new dealer that was signed in May 2005. The increase in sales and marketing expenses was primarily due to commissions due on the increased revenue described above. General and administrative expenses for 2005 included personnel reductions related to management cost reduction initiatives. The decrease in general and administrative expenses is primarily due to management cost reduction initiatives. In December 2005, we sold substantially all of the assets of this segment and discontinued its operation, resulting in a gain on disposal of $300,000, net of taxes. Results of operations for this segment have been reflected as discontinued operations.

Recent Management Initiatives

During the fourth quarter of 2004 and throughout 2005 and 2006, we undertook certain initiatives to reverse our declining revenues and achieve a decrease in operating expenses. These measures and initiatives include (i) the integration of Access management members with our management team, as mentioned above, (ii) the termination of certain equipment capital leases, (iii) personnel reductions and other cost reduction actions, (iv) the exploration of additional products to compliment our core healthcare savings product, and (v) the providing additional compensatory incentives to our independent marketing representatives. The results of operations for 2005 and 2006 reflect some significant results from those efforts, as previously discussed.

Income Tax Provision. SFAS 109, Accounting for Income Taxes, requires the separate recognition, measured at currently enacted tax rates, of deferred tax assets and deferred tax liabilities for the tax effect of temporary differences between the financial reporting and tax reporting bases of assets and liabilities, and net operating loss carry forward balances for tax purposes. A valuation allowance must be established for deferred tax assets if it is more likely than not that all or a portion will not be realized. At June 30, 2006 and December 31, 2005, we had deferred tax assets of $326,000 and $275,000, respectively, and deferred tax liabilities of $326,000 and $275,000, respectively, primarily resulting from net operating loss carry-forward that if not utilized will expire at various dates through 2020. We evaluate the probability of recognizing the benefit of deferred tax assets through the reduction of taxes otherwise payable in the future and provide an allowance against the carrying amount of such deferred tax assets if it is more probable than not that some or all of the assets will not be realized.

During the second quarter of 2006, we were successful in obtaining a franchise tax ruling letter from the Texas Office of the Comptroller that confirmed our position to apportion income from non-Texas resident members to other states thereby reducing our overall Texas franchise tax obligations for the years 2001 and forward. The ruling allowed us to claim a refund of Texas franchise taxes previously paid of

$350,000 and reduce our franchise taxes payable by $209,000. These adjustments are included in the 2006 second quarter s provision for income taxes benefit, net of expense, of $461,000.

Liquidity and Capital Resources

Operating Activities. Net cash provided by operating activities for the six months ended June 30, 2006 and 2005 was $1,872,000 and $1,029,000, respectively. The increase in net cash provided by operating activities of $843,000 for the six months ended June 30, 2006 as compared to the same period of 2005 was primarily attributable to the federal income tax refund of $994,000 received in the second quarter of 2006 and related to our year-end income tax reduction strategies. The decrease in accounts payable and accrued payments were, for the most part, offset by the use of prepaid expenses of $870,000 that were incurred at year-end as part of our income tax reduction strategies.

Investing Activities. Net cash used in investing activities for the six months ended June 30, 2006 and 2005 was $962,000 and $725,000, respectively. The increase in net cash used in investing activities for the six months of 2006 as compared to the same period of 2005 of $237,000 is related to our acquisition of Access (including earned contingent, purchase price consideration paid and delivered) of $624,000 during the first quarter, offset by an increase in fixed assets purchases of $87,000 related to Access office relocation in June of 2006. No cash or common stock consideration was required to be conveyed during the second quarter of 2006 relative to the Access acquisition.

Financing Activities. Net cash used in financing activities for the six months ended June 30, 2006 was $136,000, compared to $809,000 for the three months ended June 30, 2005. The decrease of $673,000 related to the completion of the authorized repurchase of treasury stock of $205,000 in 2005 and lower net payments on capital lease obligations by $304,000.

At June 30, 2006 and December 31, 2005, we had working capital of $5,205,000 and $4,692,000, respectively. This increase in working capital from December 31, 2005 to June 30, 2006 was due primarily to liquidation of accrued Access purchase price consideration liability by the issue of common stock valued at $521,000.

Other than our $343,000 capital lease obligations and our potential payment and delivery obligations associated with the Access acquisition (which are indeterminable as of the date of this Proxy Statement), we do not have any capital commitments. We anticipate that our capital expenditures for 2006 will not exceed the amount incurred during 2005. We believe that our existing cash and cash equivalents, and cash provided by operations, will be sufficient to fund our normal operations and capital expenditures for the next 12 months. Because our capital requirements cannot be predicted with certainty, there is no assurance that we will not require any additional financing during the next 12 months, and if required, that any additional financing will be available on terms acceptable to us or advantageous to our stockholders.

PRINCIPAL SHAREHOLDERS AND HOLDINGS OF MANAGEMENT

The following table presents information related to the beneficial ownership of our common stock of (i) each person who is known to us to be the beneficial owner of more than 5% thereof, (ii) each of our directors and executive officers, and (iii) all of our executive officers and directors as a group, together with their percentage holdings of the outstanding shares, as of the Record Date and immediately after giving effect to the merger-acquisition of ICM and its subsidiaries. All persons listed have sole voting and investment power with respect to their shares unless otherwise indicated, and there are no family relationships amongst our executive officers and directors. For purposes of the following table, the number of shares and percent of ownership of our outstanding common stock that the named person beneficially owns includes shares of our common stock that the person has the right to acquire within 60 days of the date of the Record Date pursuant to exercise of stock options and are deemed to be outstanding, but are not deemed to be outstanding for the purposes of computing the number of shares beneficially owned and percent of outstanding common stock of any other named person.

	Beneficial Ownership Before the Merger-Acquisition(1)(2)				
Name (and Address) of Beneficial Owner	Shares Owned of Record	Stock Option Shares	Other Beneficially Owned Shares	Beneficial Ownership Total Shares Owned	Percent
Our Directors and Nominee Directors:					
Kent H. Webb	94,019	113,000		207,019	1.53 %
Kenneth S. George		55,000		55,000	.41 %
J. French Hill	2,000	65,000		67,000	.50 %
Russell Cleveland(3) 8080 N. Central Expressway Suite 210, LB 59 Dallas, Texas 75206			3,151,813	3,151,813	23.32 %
Peter W. Nauert (4)					
Andrew A. Bemis(4)					
Our Non-Nominee Director:					
Eugene E. Becker		65,000		65,000	.48 %
Our Executive Officers and Chairman:					
Nicholas J. Zaffiris (Non-Executive Chairman)		65,000		65,000	.48 %
Frank B. Apodaca	188,699	62,500	30,849	282,048	2.08 %
Robert L. Bintliff	3,000	50,000		53,000	.39 %
Eliseo Ruiz III	2,200	75,000		77,200	.57 %
Our Executive Officer and Directors as a group of nine persons	289,918	550,500	3,182,662	4,023,080	28.60 %
Other Beneficial Owners:					
Ready One Industries 12100 Esther Lama Drive El Paso, Texas 79936	1,961,784			1,961,784	14.52 %
US Special Opportunities Trust PLC(3) 8080 N. Central Expressway Suite 210, LB-59 Dallas, Texas 75206	801,813			801,813	5.93 %
Renaissance Capital Growth & Income Fund III, Inc.(3) 8080 N. Central Expressway Suite 210, LB-59 Dallas, Texas 75206	800,000			800,000	5.92 %
Premier RENN US Emerging Growth Fund Limited(3) 8080 N. Central Expressway Suite 210, LB-59 Dallas, Texas 75206	750,000			750,000	5.55 %
Renaissance US Growth Investment Trust PLC(3) 8080 N. Central Expressway Suite 210, LB-59 Dallas, Texas 75206	800,000			800,000	5.92 %
RENN Capital Group, Inc.(3) 8080 N. Central Expressway Suite 210, LB-59 Dallas, Texas 75206			3,151,813	3,151,813	23.32 %
Rodney D. Baber 50 N. Front Street, 12th Floor Memphis, Tennessee 38103	1,043,354			1,043,354	7.72 %

Lewis Opportunity Fund, LP 45 Rockefeller Plaza, Suite 2570 New York, New York 10111	1,079,166			1,079,166	7.99	%
R & R Opportunity Fund, LP c/o Rodman & Renshaw 1270 Avenue of the Americas, 16th Floor New York, New York 10020	865,965			865,965	6.41	%
	Beneficial Ownership After the Merger-Acquisition(1)(2)					
Our Directors:						
Kent H. Webb	94,019	113,000		207,019	1.24	%
Kenneth S. George		55,000		55,000	.33	%
J. French Hill	2,000	65,000		67,000	.40	%
Nicholas J. Zaffiris		65,000		65,000	.39	%
Russell Cleveland(3) 8080 N. Central Expressway Suite 210, LB 59 Dallas, Texas 75206			3,151,813	3,151,813	18.81	%
Andrew A. Boemi (4)						
Our Executive Officers:						
Peter W. Nauert (C.E.O. and Director)(2)(4)(5)	2,683,635			2,683,635	16.02	%
Frank B. Apodaca(6)	188,699	62,500	30,849	282,048	1.68	%
Robert L. Bintliff(7)	3,000	50,000		53,000	.32	%
Eliseo Ruiz III(8)	2,200	75,000		77,200	.46	%
Ian R. Stuart (9)	425,490			425,490	2.54	%
Carl H. Fisher (10)	33,404			33,404	.20	%
Michael K. Owens (11)	67,131			67,131	.40	%
Nancy L. Zalud (12)	33,404			33,404	.20	%
Our Executive Officer and Directors as a group of nine persons	3,532,982	485,500	3,182,662	7,201,144	42.98	%
Other Beneficial Owners:						
Ready One Industries 12100 Esther Lama Drive El Paso, Texas 79936	1,961,784			1,961,784	11.71	%
US Special Opportunities Trust PLC(3) 8080 N. Central Expressway Suite 210, LB-59 Dallas, Texas 75206	801,813			801,813	4.79	%
Renaissance Capital Growth & Income Fund III, Inc.(3) 8080 N. Central Expressway Suite 210, LB-59 Dallas, Texas 75206	800,000			800,000	4.77	%
Premier RENN US Emerging Growth Fund Limited(3) 8080 N. Central Expressway Suite 210, LB-59 Dallas, Texas 75206	750,000			750,000	4.48	%

Renaissance US Growth Investment Trust PLC(3) 8080 N. Central Expressway Suite 210, LB-59 Dallas, Texas 75206	800,000		800,000	4.77	%
RENN Capital Group, Inc.(3) 8080 N. Central Expressway Suite 210, LB-59 Dallas, Texas 75206		3,151,813	3,151,813	18.81	%
Rodney D. Baber 50 N. Front Street, 12th Floor Memphis, Tennessee 38103	1,043,354		1,043,354	6.23	%
Lewis Opportunity Fund, LP 45 Rockefeller Plaza, Suite 2570 New York, New York 10111	1,079,166		1,079,166	6.44	%
R & R Opportunity Fund, LP c/o Rodman & Renshaw 1270 Avenue of the Americas, 16th Floor New York, New York 10020	865,965		865,965	5.17	%

* The percent is less than 1.0%.

(1) Shares not outstanding but deemed beneficially owned by virtue of the right of the named person to acquire the shares within 60 days of the above-mentioned date are treated as outstanding for determining the amount and percentage of common stock owned by the person. Shares for which beneficial ownership is disclaimed by an individual also are included for purposes of determining the amount and percentage of Common Stock owned by such individual. Based upon our knowledge, each named person has sole voting and sole investment power with respect to the shares shown except as noted, subject to community property laws, where applicable.

(2) The percentage shown was rounded to the nearest one-tenth of one percent, based upon 13,512,763 shares of common stock being outstanding on the Record Date and before the merger-acquisition of ICM and its subsidiaries and 16,755,826 shares of our common stock being outstanding immediately following completion of the merger-acquisition. The difference of 3,243,063 shares represents the number of shares issued at the minimum adjusted earnings before interest, taxes and depreciation and amortization (Adjusted EBITDA) of $600,000.

(3) The 3,151,813 Other Beneficially Owned Shares are owned by US Special Opportunities Trust PLC (801,813 shares), Renaissance Capital Growth & Income Fund III, Inc. (800,000 shares), Premier RENN US Emerging Growth Fund Limited (750,000 shares), Renaissance US Growth Investment Trust PLC (800,000 shares), each of which is an investment fund managed by RENN Capital Group, Inc. Mr. Cleveland controls RENN Capital Group, Inc. and is deemed, therefore, deemed to be the beneficial owner of the common stock shares.

(4) Pursuant to the terms of the Agreement and Plan of Merger, upon completion of our merger-acquisition of ICM and its subsidiaries, Messrs. Nauert and Boemi will become members of our Board of Directors. Approval of our merger-acquisition of ICM and its subsidiaries will also constitute the approval of Messrs. becoming members of our Board of Directors.

(5) Under the terms of the Agreement and Plan of Merger, we will be obligated to issue and deliver additional common stock shares to the shareholders of ICM including a Trust controlled by Mr. Nauert, based upon the earnings before interest, taxes, depreciation and amortization of Insuraco USA and its subsidiaries. The number of additional shares that may be issued to Mr. Nauert are not determinable as of the date of this Proxy Statement, but the maximum number of shares that we may deliver to such Trust is 5,590,905.

(6) Mr. Apodaca had an agreement with National Center for Employment of the Disabled (NCED), the former parent of Access HealthSource, Inc. (Access) and for whom he previously provided service. This agreement

entitles Mr. Apodaca to 10% of the common stock shares and cash we paid or will pay NCED for Access. Mr. Apodaca has received 183,699 common stock shares and (ii) is entitled to and is the beneficial owner of an additional 30,849 shares. He has also purchased 5,000 of our shares directly and has options exercisable within 60 days of the record date for 62,500 shares. Mr. Apodaca holds additional options to purchase 87,500 common stock shares that are not exercisable and will not be exercisable within 60 days of November 20, 2006.

(7) Mr. Bintliff is our Executive Vice President and Chief Financial Officer. The beneficially owned shares and percentage of outstanding shares include 50,000 shares of our common stock issuable upon exercise of stock options. Mr. Bintliff holds additional options to purchase 200,000 common stock shares that are not exercisable and will not be exercisable within 60 days of November 20, 2006.

(8) Mr. Ruiz is our Executive Vice President and General Counsel. The beneficially owned shares and percentage of outstanding shares include 75,000 common stock shares that are exercisable or will be exercisable within 60 days of November 20, 2006. Mr. Ruiz holds additional options to purchase 175,000 common stock shares that are not exercisable and will not be exercisable within 60 days of November 20, 2006.

(9) Mr. Stuart will be our Chief Operating Officer after the merger.

(10) Mr. Fisher will be our President and Chief Marketing Officer of Adult Care Plans/Rx America after the merger.

(11) Mr. Owens will be our President of America s Health Care/Rx Plan Agency, Inc. after the merger.

(12) Ms. Zalud will be our Vice President of Marketing and Communications after the merger.

No Change in Control

Completion of the merger-acquisition of ICM and its subsidiaries will result in Peter W. Nauert and the other Shareholders of ICM owning 3,243,063 shares of our common stock based upon meeting the minimum Adjusted EBITDA of $600,000 and the right to receive up to an additional 3,513,319 common stock shares based upon the additional Adjusted EBITDA of Insuraco USA and its subsidiaries up to $1,250,000. In addition, Mr. Nauert will become our Chief Executive Officer and one of our Directors, Andrew A. Boemi will become one of our Directors, and Ian Stuart will become our Chief Operating Officer.

Common Stock Purchase Pending Merger-Acquisition

On June 13, 2006 we announced the signing of the letter of intent related to our acquisition of the ICM and its Subsidiaries, of which ICM is the parent corporation. On June 14, 2006, Premier RENN US Emerging Growth Fund Limited, an investment fund managed by RENN Capital Group, Inc., purchased from Judith H. Henkels, formerly our Chief Executive Officer and Chairman, 750,000 shares of our common stock for $1.30 per share. RENN Capital Group, Inc. is controlled and managed by Russell Cleveland, one of our Directors. Mr. Russell Cleveland has been instrumental in the negotiation of the terms and conditions of the letter of intent and the Agreement and Plan of Merger with Peter W. Nauert, the sole shareholder and Chief Executive Officer of ICM. See Proposal One The Merger Acquisition of Insurance Capital Management USA Inc. and Its Subsidiaries Background of the Merger-Acquisition, above, for more details related to our merger-acquisition of ICM and its subsidiaries.

LEGAL MATTERS

The validity of issuance of the shares of our common stock to be issued in connection with the merger-acquisition of ICM and its subsidiaries will be passed upon for us by our counsel, Dunn Swan & Cunningham, A Professional Corporation, of Oklahoma City, Oklahoma. Dunn Swan & Cunningham has delivered an opinion to the effect that the description of the federal income tax consequences of the merger-acquisition under the section of this Proxy Statement captioned Proposal One The Merger-Acquisition of Insurance Capital Management USA Inc. And Its Subsidiaries Certain Federal Income

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Tax Consequences correctly sets forth the material federal income tax consequences of the merger-acquisition to us and our shareholders.

SHAREHOLDER RETURN PERFORMANCE PRESENTATION

The following graph compares the yearly percentage change in cumulative total return (change in the year-end stock price plus reinvested dividends) to our shareholders against the cumulative total return of the Dow Jones Consumer Services Index and the Russell Midcap Index for the period beginning on the first trading day after the initial public offering of our common stock in February 2000 and ending on December 31, 2005.

	2/10/00	12/31/00	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05
PRECIS, INC.	100.00	15.25	165.42	74.85	52.61	36.07	20.88
DOW JONES CONSUMER SERVICES INDEX	100.00	80.36	82.49	61.78	81.95	90.37	88.63
RUSSELL 2000® INDEX	100.00	90.18	92.42	73.49	108.21	128.05	133.88

OTHER BUSINESS TO BE BROUGHT BEFORE THE MEETING

Our Board of Directors knows of no business which will be presented for action at the Annual Meeting other than that described in the Notice of Annual Meeting of Shareholders and this Proxy Statement. However, if any other matters should properly come before the Annual Meeting, it is the intention of the persons named in the accompanying proxy to vote such proxies as they deem advisable in accordance with their best judgment.

SHAREHOLDER PROPOSALS FOR 2007 ANNUAL MEETING

Under the existing rules of the Securities and Exchange Commission, one or more of our shareholders may present proposals on any matter that is a proper subject for consideration by our shareholders at the 2007 annual meeting of our shareholders. In order to be included in the proxy statement (or disclosure statement in the event proxies are not solicited by our Board of Directors) for the 2007 annual meeting of our shareholders, a proposal must be received by March 2, 2007. It is suggested that if you, as one of our shareholders, desire to submit a proposal you should do so by sending the proposal certified mail, return receipt requested, addressed to our Corporate Secretary at our principal office, 2040 North Highway 360, Grand Prairie, Texas 75050. Detailed information for submitting proposals will be provided upon written request, addressed to our Corporate Secretary. As to all the matters that we do not have notice on or prior to March 2, 2007, discretionary authority will be granted to the persons designated in the proxy related to the 2007 Meeting to vote on the matters.

HOUSEHOLDING INFORMATION

Unless we have received contrary instructions, we may send a single copy of this proxy statement and notice of annual meeting to any household at which two or more shareholders reside if we believe the shareholders are members of the same family. Each shareholder in the household will continue to receive a separate proxy card. This process, known as householding, reduces the volume of duplicate information received at any one household and helps to reduce our expenses. However, if shareholders prefer to receive multiple sets of our disclosure documents at the same address this year or in future years, the shareholders should follow the instructions described below. Similarly, if an address is shared with another shareholder and together both of the shareholders would like to receive only a single set of our disclosure documents, the shareholders should follow these instructions:

If the shares are registered in the name of the shareholder, the shareholder should contact us at our offices at 2040 North Highway 360, Grand Prairie, Texas 75050, to inform us of their request. If a bank, broker or other nominee holds the shares, the shareholder should contact the bank, broker or other nominee directly.

WHERE YOU CAN FIND MORE INFORMATION

We file annual and quarterly reports and other reports and information with the United States Securities and Exchange Commission. These reports and other information can be inspected and copied at, and copies of these materials can be obtained at prescribed rates from, the Public Reference Section of the United States Securities and Exchange Commission, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549-1004, and at its regional offices at 7 World Trade Center, 13th Floor, New York, New York 10048 and at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. We distribute to our shareholders annual reports containing financial statements audited by our independent public accountants and, upon request, quarterly reports for the first three quarters of each fiscal year containing unaudited financial information. In addition, the reports and other information are filed through Electronic Data Gathering, Analysis and Retrieval (known as EDGAR) system and are publicly available on the Securities and Exchange Commission s site on the Internet, located at *http://www.sec.gov*.

We will provide without charge to you, upon written or oral request, a copy of the reports and other information filed with the Securities and Exchange Commission.

Any requests for copies of information, reports or other filings with the Securities and Exchange Commission should be directed to Precis, Inc. at 2040 North Highway 360, Grand Prairie, Texas 75050, telephone: (866) 578-1665. To obtain timely delivery, any information must be requested no later than five business days before the decision is made to vote regarding the proposed merger-acquisition of ICM and its subsidiaries and to cause timely receipt of the vote on the date of the Annual Meeting.

Your cooperation in giving this matter your immediate attention and in returning your proxy promptly will be appreciated.

BY ORDER OF THE BOARD OF DIRECTORS

Eliseo Ruiz III
Corporate Secretary

November 26, 2006

A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, is enclosed herewith.

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INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Insurance Capital Management USA Inc.

We have audited the accompanying consolidated balance sheets of Insurance Capital Management USA Inc. as of December 31, 2005 and 2004 and the related consolidated statements of operations, stockholder s deficit, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the consolidated financial statements 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. 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 consolidated financial position of Insurance Capital Management USA, Inc. at December 31, 2005 and 2004, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

(Signed Hein & Associates LLP)
Dallas, Texas
October 2, 2006

INSURANCE CAPITAL MANAGEMENT USA INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2005 AND 2004
(Dollars in Thousands)

	2005	**2004**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 28	$ 428
Accounts receivable, net	412	430
Advanced agent commissions, net	1,329	939
Agency loans	150	3
Amounts due from affiliates		139
Other current assets	250	
Total current assets	2,169	1,939
Fixed assets, net	129	99
Total assets	$ 2,298	$ 2,038
LIABILITIES AND STOCKHOLDER S DEFICIT		
Current liabilities:		
Accounts payable	$ 451	$ 360
Accrued commissions	254	45
Amounts due to affiliates	89	371
Other accrued liabilities	318	563
Loan from related party	200	
Short-term debt	1,339	400
Deferred revenue	1,440	1,097
Total current liabilities	4,091	2,836
Total liabilities	4,091	2,836
Contingent liabilities (Note 4,12)		
Stockholder s deficit:		
Common stock, $.01 par value, 10,000 shares authorized; 10,000 and 10,000 issued and outstanding, respectively		
Additional paid-in capital	5,180	3,749
Accumulated deficit	(6,973)	(4,547)
Total stockholder s deficit	(1,793)	(798)
Total liabilities and stockholder s deficit	$ 2,298	$ 2,038

The accompanying notes are an integral part of these consolidated financial statements

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INSURANCE CAPITAL MANAGEMENT USA INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Dollars in Thousands)

	2005	**2004**	**2003**
Service revenues	$ 4,076	$ 1,227	$ 14
Operating expenses:			
Sales and marketing	5,227	4,185	689
General and administrative	1,303	664	207
Total operating expenses	6,530	4,849	896
Operating loss	(2,454)	(3,622)	(882)
Other income (expense):			
Interest income	201	22	4
Interest expense	(173)	(69)	
Total other income (expense)	28	(47)	4
Net loss	$ (2,426)	$ (3,669)	$ (878)

The accompanying notes are an integral part of these consolidated financial statements

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INSURANCE CAPITAL MANAGEMENT USA INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDER S DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Dollars in Thousands)

	COMMON STOCK SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL
Balance, December 31, 2002		$	$	$	$
Capital paid in by stockholder	10,000		749		749
Net loss				(878)	(878)
Balance, December 31, 2003	10,000		749	(878)	(129)
Capital paid in by stockholder			3,000		3,000
Net loss				(3,669)	(3,669)
Balance, December 31, 2004	10,000		3,749	(4,547)	(798)
Capital paid in by stockholder			1,431		1,431
Net loss				(2,426)	(2,426)
Balance, December 31, 2005	10,000	$	$ 5,180	$ (6,973)	$ (1,793)

The accompanying notes are an integral part of these consolidated financial statements

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INSURANCE CAPITAL MANAGEMENT USA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Dollars in Thousands)

	2005	2004	2003
Operating activities:			
Net loss	$ (2,426)	$ (3,669)	$ (878)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	39	5	
Changes in assets and liabilities:			
Accounts receivable, net	18	(407)	(23)
Advanced agent commissions, net	(389)	(840)	(100)
Amounts due from affiliates	139	(139)	
Other current assets	(250)		
Accounts payable	91	298	62
Accrued commissions	209	45	
Amounts due to affiliates	89		
Other accrued liabilities	(245)	560	3
Deferred revenue	343	1,023	74
Net cash used in operating activities	(2,382)	(3,124)	(862)
Investing activities:			
Agency loans made	(150)		(18)
Agency loan repayments	3	15	
Purchase of fixed assets	(69)	(102)	(2)
Net cash used in investing activities	(216)	(87)	(20)
Financing activities:			
Loan proceeds	2,184	250	150
Loan repayments	(1,245)		
Loan from related party	200		
Amounts borrowed from (paid to) affiliates	(372)	372	
Capital paid in by stockholder	1,431	3,000	749
Net cash provided by financing activities	2,189	3,622	899
Net (decrease) increase in cash and cash equivalents	(400)	411	17
Cash and cash equivalents at beginning of year	428	17	
Cash and cash equivalents at end of year	$ 28	$ 428	$ 17
Supplemental disclosure:			
Interest paid	$ 160	$ 49	$

The accompanying notes are an integral part of these consolidated financial statements

INSURANCE CAPITAL MANAGEMENT USA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Nature of Business

Insurance Capital Management USA Inc. (the Company) is a Delaware corporation that was incorporated on October 10, 2002.

The Company s operations primarily consist of:

- Sales and marketing of individual health insurance products and related benefit plans (insurance programs), primarily through a network of independent agency channels. These insurance agency operations are consolidated under Insuraco USA, LLC (Insuraco), an intermediate holding company.

- Sales and marketing of insurance programs through a career agency channel, Insurance Producers Group of America Agency Inc. (IPA) which commenced operations in the second half of 2005.

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries have been prepared in accordance with generally accepted accounting principles. All significant inter-company accounts and transactions have been eliminated.

Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that effect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses for the period then ended. Future results could differ from those estimates.

Revenue Recognition

All commissions and policy fees are reported net of amounts due to third party agents in accordance with guidance in Emerging Issues Task Force 99-19. Commission income and policy fees, other than initial enrollment fees, are generally recognized as earned on a monthly basis until such time as the underlying policyholder contract is terminated. Retained advanced commissions received are recorded in unearned income.

Initial enrollment fees directly related to and varying with sales activity, are deferred and amortized over the estimated lives of the respective programs. The estimated weighted average life for the programs sold ranges from eighteen months to two years and is based upon the Company s historical policyholder contract termination experience.

Interest Income and Expenses

Interest income, which is accrued when earned, and interest expense, which is accrued as incurred, are included in other income (expense).

INSURANCE CAPITAL MANAGEMENT USA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 Summary of Significant Accounting Policies (Continued)

Operating Expenses

The majority of the Company s operating expenses are attributable to sales and marketing activities, many of which occur prior to the initial sale of insurance programs. All of these costs are expensed as incurred.

Accounts Receivable

Accounts receivable generally represent commissions and fees due from insurance carriers and plan sponsors. Accounts receivable are reviewed on a monthly basis to determine if any receivables will potentially be uncollectible. An allowance is provided for any accounts receivable balance where recovery is considered to be doubtful. Bad debt is written off as incurred.

Advanced Agent Commissions

The Company s finance subsidiaries advance agent commissions for selected insurance programs. Repayment of the advanced commissions is typically accomplished by withholding earned commissions from the agent until such time as the outstanding balance, plus accumulated interest, has been fully repaid. The net outstanding balance is recorded as an asset.

Advanced agent commissions are reviewed on a monthly basis to determine if any advanced agent commissions will potentially be uncollectible. An allowance is provided for any advanced agent commission balance where recovery is considered to be doubtful. Bad debt is written off as incurred.

In addition, several insurance carriers directly advance commissions to Insuraco s agents. The Company believes that all such balances will be collected in full by the carriers and, accordingly, has not recorded any obligation attributable to this contingent liability. However, the Company is contingently liable for such advances (See Note 4.).

Agency Loans

Agency loans represents amounts due from agencies, exclusive of accrued interest.

Other Current Assets

Other assets consist of accrued interest on agency loans, other balances due from insurance carriers and deposits.

Amounts Due To/From Affiliates

Amounts due to/from affiliates represent accounts receivable or payable between the Company and other companies controlled by the sole shareholder.

Fixed Assets

Property and equipment are carried at historical cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Furniture is depreciated over a 5-year term; office equipment is depreciated over a 3-year term.

INSURANCE CAPITAL MANAGEMENT USA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 Summary of Significant Accounting Policies (Continued)

Income Taxes

Income taxes have not been provided for because the Company and its subsidiaries have elected to file as a Subchapter S Corporation, in accordance with Section 1362(a) of the Internal Revenue Code. Consequently, the Company s consolidated losses are passed through to the Company s sole shareholder, and reported on the individual income tax return of that shareholder.

Note 3 Liquidity and Capital Resources

As of December 31, 2005, the Company had negative working capital of $1,922,000 and an accumulated deficit of $6,973,000. Since inception, the sole shareholder has funded $5,180,000 to the Company which has been used to meet costs associated with start-up and immediate working capital obligations. The sole shareholder has committed to continue to provide funding to meet these requirements. Additionally, the Company has established access to short-term debt from various sources. The short-term debt is primarily used to fund agent commission advances.

A significant portion of the Company s working capital deficit and operating losses in the second half of 2005 relate to IPA. For the first six months of 2006 ICM has generated positive operating profit and cash flows from the business that Precis plans to acquire (Insuraco activities). IPA will not be part of the Precis Transaction and on September 29, 2006, ICM transferred ownership of IPA to its sole shareholder. (See Note 11 Subsequent Events.)

Based upon these factors, the Company believes it will be able to meet its short-term and long-term working capital requirements.

Note 4 Advanced Agent Commissions

Advanced agent commissions consist of (dollars in thousands):

	As of December 31, 2005	2004
Programs funded by:		
Commercial bank debt (see note 7)	$ 739	$
Private investor group debt (see note 7)	250	250
Self-funded programs	350	689
Sub-total	1,339	939
Provision for doubtful recoveries	(10)	
Total advanced agent commissions	$ 1,329	$ 939

At December 31, 2005 and 2004, the Company was also contingently liable for approximately $2,200,000 and $1,600,000, respectively, of agent commissions advanced directly by insurance carriers. The Company believes that all such balances will be collected in full and, accordingly, has not recorded any obligation attributable to this contingent liability.

INSURANCE CAPITAL MANAGEMENT USA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5 Other Current Assets

Other current assets consist of (dollars in thousands):

	As of December 31, 2005	2004
Accrued interest on agency loans	$ 58	$
Other receivables due from insurance carrier	164	
Deposit	28	
Total other assets	$ 250	$

Note 6 Fixed Assets

Fixed assets consist of (dollars in thousands):

	As of December 31, 2005	2004
Furniture and fixtures, at cost	$ 128	$ 88
Office equipment, at cost	45	16
Total cost	173	104
Accumulated depreciation	(44)	(5)
Fixed assets, net	$ 129	$ 99

Note 7 Short-term Debt

Short-term debt consists of (dollars in thousands):

	As of December 31, 2005	2004
Commercial bank revolving lines of credit	$ 739	$
Loan from private investor	250	250
Loan from former officer	150	150
Loan from plan administrator	200	
Total short-term debt	$ 1,339	$ 400

Commercial bank revolving line of credit

The Company has obtained a revolving line of credit facility from a commercial bank to obtain funding for the advancing of agent commissions for certain programs. The revolving line of credit is collateralized by certain future commissions and fees and is personally guaranteed by the Company s sole shareholder. Under this facility, the Company may borrow up to $1,600,000, provided that such borrowings are restricted to the funding of advanced agent commissions. Interest is charged at prime plus 1.50%. The revolving line of credit matures June 1, 2006 and has been extended to December 1, 2006.

Loan from private investor

During 2004, the Company obtained a $250,000 loan in connection with the partial funding of an agent advance commission program. This loan had no stated maturity date and the Company treated it as short-term debt. Interest was charged at a rate of 10.00% through September 30, 2005, at which time, through agreement by both parties, the interest rate was reduced to 0.00%. Accrued interest on this loan is included in other accrued liabilities.

INSURANCE CAPITAL MANAGEMENT USA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7 Short-term Debt (Continued)

Loan from former officer

Effective December 21, 2003, the Company agreed to compensate the former chief marketing officer of one of its agencies for marketing related expenditures incurred during 2003, through issuance of a $150,000 note bearing interest at an annual rate of 8.0%. Through December 31, 2005, no interest or principal payments had been made and there was no agreement as to when the loan would be repaid. The Company treated this note as short-term debt. Accrued interest on this loan is included in other accrued liabilities.

Loan from plan administrator

During 2005, the Company obtained a short-term $200,000 loan facility from a third party administrator which processes a substantial amount of the Company s business. The Company s sole shareholder has guaranteed repayment of this loan. Additionally, the plan administrator has a second lien on certain future revenue. Interest has been accrued at an annual rate of 8.00%. The loan matured in December 2005 and the lender had not made any claim for repayment. The Company treated this loan as a short-term debt. Accrued interest on this loan is included in other accrued liabilities.

Note 8 Loan From Related Party

During 2005, the Company obtained a $200,000 loan from one of its current officers. The loan is guaranteed by the Company s sole shareholder and bears interest at a rate of 10.0% per annum. To date, no principal or interest payments have been made. Accrued interest on this loan is included in other accrued liabilities.

Note 9 Lease Obligation

The Company s operating lease for its current office space terminates on October 31, 2006. As of December 31, 2005, the remaining minimum lease payments were $214,452.

Rent expense for the most recent three year periods was as follows (dollars in thousands):

2003	$ 22
2004	64
2005	206

Note 10 Risk Concentration

For the year ended December 31, 2005, over 95% of the Company s revenue was derived from insurance products underwritten by five insurance carriers. The Company believes all of these insurance carriers to be financially sound, based in part upon A.M. Best ratings of B+ or better, and that all accounts due from these carriers will be collected in full. If the Company s relationship with one or more of these carriers was severed, the revenue impact would be nominal in the short term, but could be significant over the long term. However, management believes the Company has the ability to replace carriers with little or no difficulty.

The Company maintains its cash in bank accounts which at times may exceed the limits of federal insurance. Currently, the majority of the accounts are with one commercial bank. The Company does not believe it is exposed to any significant credit risk attributable to this concentration.

INSURANCE CAPITAL MANAGEMENT USA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 11 Subsequent Events

On June 12, 2006, the Company entered into a non-binding letter of intent with Precis, Inc. whereby Precis has offered to acquire the Company in a stock transaction (Precis Transaction). In connection with the Precis Transaction the Company has agreed to the following:

- Transfer the Company s ownership of IPA directly to the Company s sole shareholder prior to the closing of the Precis Transaction. This transfer was executed effective September 29, 2006.

- Discontinue, upon closing of the Precis Transaction, charging to the Company (i) those selling and promotion costs not directly related to Insuraco s (and IPA s) operations, and (ii) any other non-Insuraco costs.

The Company s commercial bank revolving line of credit facility has been renewed through December 1, 2006. Under the current facility, the Company may borrow up to $1,600,000, provided such borrowings are restricted to the funding of advanced agent commissions. Interest is charged at prime plus 1.50%.

The Company s $250,000 loan from a private investor was settled in full in August 2006.

The Company agreed to a maturity date of December 31, 2006 for the $150,000 loan from the former chief marketing officer.

The maturity date of the Company s $200,000 loan from a third party plan administrator has been extended to December 31, 2006.

The Company s loan from one of its current officers of $200,000 as of December 31, 2005 was increased to $500,000 in the first half of 2006. To date, no principal or interest payments have been made. Subsequently, the Company s current officer and the Company s sole shareholder agreed to convert all of the debt and accrued interest into an approximate 11% equity ownership position in the Company upon formal approval of the Precis Transaction.

During 2006, the Company extended its lease term on its current premises from October 31, 2006 to November 30, 2006.

During September 2006, the Company entered into a five year agreement to lease new office premises. The Company s sole shareholder has guaranteed payment of the new lease obligation.

The minimum lease payments under all leases consist of (dollars in thousands):

	Current Lease	New Lease	Total
Less than 1 Year	$ 236	$	$ 236
1-3 Years		609	609
3-5 Years		438	438
Total	$ 236	$ 1,047	$ 1,283

Note 12 Legal Proceedings

In February 2005, States General Life Insurance Company (SGLIC), a former affiliate, was placed in permanent receivership by the Texas Insurance Commission (The State of Texas v States General Life Insurance Company, Cause No. GV-500484, in the 126th District Court of Travis County, Texas.) Pursuant to letters dated October 19, 2006, the Special Deputy Receiver (the SDR) of SGLIC asserted certain claims against ICM, its subsidiaries, Peter W. Nauert, ICM s Chairman and Chief Executive

INSURANCE CAPITAL MANAGEMENT USA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12 Legal Proceedings (Continued)

Officer, and G. Scott Smith, a former Executive Officer of ICM, totaling $2,839,000. The SDR is seeking recovery of certain SGLIC funds that it alleges were inappropriately transferred and paid to or for the benefit of ICM, its subsidiaries and Messrs. Nauert and Smith. These claims are based upon assertions of Texas law violations, including prohibitions against self-dealing, participation in breach of fiduciary duty and preferential and fraudulent transfers. Mr. Nauert was in control and Chairman of the Board of SGLIC when it was placed in receivership by the Texas Insurance Commission. In their response to the SDR, ICM, its subsidiaries and Messrs. Nauert and Smith have stated that they believe they appropriately complied with all of the applicable provisions of Texas Law. ICM, its subsidiaries and Messrs. Nauert and Smith intend to exercise their full rights in defense of the SDR s asserted claims. However, ICM can not make any assurance of the outcome of this matter. An adverse ruling in this case would have a material adverse effect on ICM s financial position and operations.

In connection with the Precis Transaction, Mr. Nauert and the Peter W. Nauert Revocable Trust have agreed to fully indemnify ICM and Precis, Inc. against any losses resulting from a claim or lawsuit that may eventually may be made or initiated by the SDR.

INSURANCE CAPITAL MANAGEMENT USA INC.
UNAUDITED CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2006
(Dollars in Thousands)

	June 30, 2006
ASSETS	
Current assets:	
Cash and cash equivalents	$ 17
Accounts and notes receivable, net	478
Advanced agent commissions, net	2,066
Amount due from affiliate	29
Other current assets	195
Total current assets	2,785
Fixed assets, net	106
Total assets	$ 2,891
LIABILITIES AND STOCKHOLDER S DEFICIT	
Current liabilities:	
Accounts payable	$ 531
Accrued commissions	195
Amounts due to affiliates	41
Other accrued liabilities	617
Short-term debt	1,309
Loan from related party	500
Deferred revenue	1,893
Total current liabilities	5,086
Total liabilities	