

PRECIS INC
Form DEFM14A
December 29, 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:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x 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.
- o 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
- x 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:

PROXY STATEMENT

December 29, 2006

**PRECIS, INC.
4929 W. Royal Lane
Suite 200
Irving, TX 75063**

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 40 and 55 and information on the name change on page 35 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 36-54.
- 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 nine months ended September 30, 2006) shown on pages F-3-F-25 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-74-F-77 of the Proxy Statement.
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- For a more detailed discussion of the adjusted results, please see pages 49-51 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-78-F-82 of the Proxy Statement show that our earnings per share from continuing operations for the nine months ended September 30, 2006, would have increased thirty three percent (33%) 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-74-F-82 of the Proxy Statement.
- After the merger, Peter W. Nauert ICM's principal shareholder, 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 51 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 15-17 and 20-23, 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 17-23 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. 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 Special 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 Special Meeting of Shareholders will be held on January 30, 2006, 10:00 am. 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.

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 December 29, 2006 and was first mailed to Precis shareholders on or about December 29, 2006.

PRECIS, INC.
4929 Royal Lane, Suite 200
Irving, Texas 75063
Telephone: (866) 578-1665

NOTICE OF SPECIAL SHAREHOLDERS MEETING

To be held on January 30, 2007

TO THE SHAREHOLDERS:

Precis, Inc. will hold a Special Meeting of its shareholder at the Sheraton Grand Hotel at Dallas / Ft. Worth Airport, 4440 West John Carpenter Freeway, Irving, Texas 75063, commencing at 10:00 am., local time on January 30, 2007 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. Any other business that properly comes before the meeting or any adjournment or postponement of the Special Meeting.

Precis shareholders at the close of business on December 22, 2006, are receiving notice and may vote at the Special 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 Special Meeting require the affirmative vote of a majority of the Precis common stock shares present in person or by proxy at the Special 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 Special Meeting. Shareholders who do not expect to attend the Special 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 Special Meeting, may withdraw it and vote in person. Attendance at the Special Meeting is limited to Precis shareholders, their proxies and invited guests. All shareholders are cordially invited to attend the Special Meeting.

4929 W. Royal Lane, Suite 200
Irving, Texas 75063
December 29, 2006

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

PROXY STATEMENT

Precis, Inc.
4929 Royal Lane, Suite 200
Irving, Texas 75063
Telephone: (866) 578-1665

SPECIAL SHAREHOLDERS MEETING
TO BE HELD ON JANUARY 30, 2007

SOLICITATION AND REVOCATION OF PROXIES

This Proxy Statement is furnished to the shareholders of Precis, Inc. in connection with the special meeting of the holders of Precis common stock to be held on January 30, 2007, 10:00 am 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 Special Meeting. This Proxy Statement and the accompanying Notice of Special Meeting of Shareholders and Proxy will be first mailed on or about December 29, 2006, to Precis shareholders of record on December 22, 2006.

If the accompanying Proxy is properly executed and returned, the shares of common stock represented by the Proxy will be voted at the Special 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; and
- approval of amendment of Precis Certificate of Incorporation to change its name to Access Plans USA, Inc.

In addition, your shares will also be considered and voted upon other business that properly comes before the Special Meeting or any adjournment or postponement. Our Board of Directors knows of no business that will be presented for consideration at the Special 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 Special Meeting, or
- attending the Special 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 Special 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 Special 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 Special 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 Special Meeting are the holders of record, at the close of business on December 22, 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 Special Meeting. Our officers and directors own of record or are deemed to beneficially own a total of 3,563,080 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 Special Meeting. The presence in person or by proxy of the holders of a majority of the shares of common stock outstanding and represented at the Special 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 Special Meeting require the affirmative vote of a majority of the Precis common stock shares present in person or by proxy at the Special 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 96).

We have provided this Proxy Statement to you and the other record holders of our common stock shares for the Special Meeting of our Shareholders. Peter W. Nauert and the other 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 Special Meeting

The Special Meeting of our shareholders will be held at the Sheraton Grand Hotel at Dallas/Ft. Worth Airport, 4440 West John Carpenter Freeway, Irving, Texas 75063, on January 30, 2007, commencing at 10:00 am., local time. Holders of record of our outstanding common stock shares at the close of business on December 22, 2006 (the record date), are entitled to notice of and to vote at the Special meeting. On the record date, there were 13,512,763 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 Special 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 Special Meeting require the affirmative vote of a majority of the shares present in person or by proxy at the Special Meeting.

Proposal One Merger-Acquisition of Insurance Capital Management USA Inc. (Page 17)

On November 8, 2006, we entered into an Agreement and Plan of Merger with Peter W. Nauert, and the other 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 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 the Peter W. Nauert Revocable Trust and consequently, IPA will not

be acquired by us. ICM will also eliminate all other non-Insuraco activities prior to closing. 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. This share amount would be 4,498,529 based on Adjusted EBITDA of \$832,274 for the nine months ended September 30, 2006.
- 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, 2007 of \$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 5.4051056 shares of common stock for each \$1 of Adjusted EBITDA.

Closing Example

The actual combined operations of ICM during the nine months ended September 30, 2006 resulted in Adjusted EBITDA of \$832,274. In this case, we would be obligated to issue and to deliver to the shareholders of ICM 4,498,529 shares of our common stock. This was determined by multiplying the \$832,274 (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

The actual combined operations of ICM during the nine months ended September 30, 2006, resulted in Adjusted EBITDA of \$832,274. In this case, we would be obligated to issue and to deliver to the shareholders of ICM 4,498,529 shares of our common stock at closing. This was determined by multiplying the \$832,274 (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).

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 906,577 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.* 4,498,529.)

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 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.* 4,498,529 and 906,577).

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 date upon which the detailed terms of the proposed merger were disclosed, the closing sale price of our common stock shares was \$1.79.

Proposal Two Amended and Restated 2002 Non-Employee Stock Option Plan (Page 31)

On November 8, 2006, our Board of Directors adopted our amended and restated 2002 Non-Employee Stock Option Plan, subject to shareholder approval. 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 35)

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 Precise, Inc. to Access Plans USA, Inc. to more clearly reflect the savings programs and administrative services in the healthcare industry that we offer.

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) (Page 36)

**4929 W. Royal Lane
Suite 200
Irving, Texas 75063**

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 55)
4929 W. Royal Lane,
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(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 20)

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.

- 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 30)

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; (Actual Adjusted EBITDA was \$832,274 for the nine months ended September 30, 2006.) 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 30)

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 25)

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 24)

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 \$10,540,000, which, along with the \$1,817,000 accumulated deficit of ICM at September 30, 2006 and estimated merger-acquisition costs of \$475,000, will result in \$12,832,000 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 23)

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 23)

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 24)

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 23)

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 26)

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. ICM has agreed to eliminate these costs prior to closing.

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 nine-month period ended September 30, 2006, these earnings were more than offset by continuing IPA start-up losses and by ICM parent company costs.

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Insurance Capital Management USA Inc., Selected Financial Information

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 September 30, 2006 and for the nine months ended September 30, 2006 and 2005 are unaudited and derived from the unaudited 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 Nine Months Ended September 30,					
	2006		Acquired	2005		Acquired
	Historical ICM	Adjustments	Companies	Historical ICM	Adjustments	Companies
Statement of Operations Data:						
Service revenues	\$ 3,709	\$	\$ 3,709	\$ 2,878	\$	\$ 2,878
Expenses:						
Sales and marketing	3,131	(579)	2,552	3,575	(275)	3,300
General and administrative	924	(390)	534	878	(244)	634
Total operating expenses	4,055	(969)	3,086	4,453	(519)	3,934
Operating (loss) income	(346)	969	623	(1,575)	519	(1,056)
Other income, net	3	38	41	18	15	33
(Loss) from continuing operations	\$ (343)	\$ 1,007	\$ 664	\$ (1,557)	\$ 534	\$ (1,023)

	For the Year Ended December 31,					
	2005		Acquired	2004		Acquired
	Historical ICM	Adjustments	Companies	Historical ICM	Adjustments	Companies
Statement of Operations Data:						
Service revenues	\$ 4,076	\$	\$ 4,076	\$ 1,227	\$	\$ 1,227
Expenses:						
Sales and marketing	4,686	(404)	4,282	4,185	(285)	3,900
General and administrative	1,216	(349)	867	664	(142)	522
Total operating expenses	5,902	(753)	5,149	4,849	(427)	4,422
Operating (loss) income	(1,826)	753	(1,073)	(3,622)	427	(3,195)
Other income (expense), net	28	21	49	(47)		(47)
(Loss) from continuing operations	\$ (1,798)	\$ 774	\$ (1,024)	\$ (3,669)	\$ 427	\$ (3,242)

	As of September 30, 2006			As of December 31, 2005		
	Historical		Acquired	Historical		Acquired
	ICM	Adjustments	Companies	ICM	Adjustments	Companies
Balance Sheet Data:						
Current Assets	\$ 3,251	\$	\$ 3,251	\$ 2,169	\$ (5)	\$ 2,164
Working Capital Deficit	(2,410)	500	(1,910)	(1,922)	457	(1,465)
Total Assets	3,345		3,345	2,298	(5)	2,293
Current Liabilities	5,661	(500)	5,141	4,091	(462)	3,629
Stockholder's Deficit	(2,316)		(2,316)	(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 September 30, 2006 and for the nine months ended on September 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	\$ 514	\$ 1,759	\$ 7,819	\$ 3,989	\$ 3,079
Net cash used in investing activities	\$ (1,572)	\$ (2,595)	\$ (945)	\$ (920)	\$ (1,703)
Net cash used in financing activities	\$ (964)	\$ (1,969)	\$ (1,398)	\$ (1,213)	\$ (2,163)

	For the Nine Months Ended September 30, 2006		2005
	(dollars in thousands)		
Statement of Operations Data:(1)(2)			
Product and service revenues	\$	17,085	\$ 23,466
Operating expenses			
Cost of operations		7,904	10,439
Sales and marketing		4,454	6,011
General and administrative		5,085	7,862
Impairment charge for goodwill			9,900
Total operating expenses		17,443	34,212
Operating loss		(358)	(10,746)
Other income			
Interest income, net		259	99
Earnings (loss) before income taxes		(99)	(10,647)
Provision for income tax benefit		(485)	19
Income net earnings (loss) from continuing operations		386	(10,666)
(Loss) earnings from discontinued operations		(789)	(81)
Net loss	\$	(403)	\$ (10,747)
Earnings (loss) per share:(3)			
Basic			
From continuing operations	\$	0.03	\$ (0.87)
From discontinued operations	\$	(0.06)	\$ (0.01)
Diluted			
From continuing operations	\$	0.03	\$ (0.87)
From discontinued operations	\$	(0.06)	\$ (0.01)
Weighted average number of common shares outstanding:(3)			
Basic		13,477,733	12,241,476
Diluted		13,518,601	12,241,476
Cash Flows Data:			
Net cash provided by operating activities		1,579	390
Net cash used in investing activities		(2,209)	(1,294)
Net cash used in financing activities		(190)	(909)

	September 30, 2006	December 31, 2005	2004
	(dollars in thousands)		
Balance Sheet Data:			
Cash and cash equivalents	\$ 5,442	\$ 6,261	\$ 8,283
Current assets	11,337	14,954	15,324
Working capital	4,738	4,692	6,451
Total assets	27,276	30,864	41,320
Current liabilities	6,599	10,262	8,873
Total liabilities	6,694	10,500	8,951
Stockholders' equity	20,582	20,364	32,369

(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 September 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 September 30, 2006, is \$8,130,000. Although we were not required to make any additional payments and share deliveries through September 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 years ended December 31, 2005 and 2004, 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 (dollars in thousands, except earnings per share)	Nine Months Ended September 30, 2006
Statement of Operations Data:(1)		
Product and service revenues	\$ 34,219	\$ 20,794
Operating expenses		
Cost of operations	10,973	7,904
Sales and marketing	11,269	7,006
General and administrative	13,955	5,619
Impairment charge for goodwill	12,900	
Total operating expenses	49,097	20,529
Operating income (loss)	(14,878)	265
Interest (expense) income, net	208	300
(Loss) earnings from continuing operations before income taxes	(14,670)	565
Provision for income tax expense (benefit)	41	(236)
(Loss) earnings from continuing operations	\$ (14,711)	\$ 801
Earnings (loss) from continuing operations per share:		
As originally reported		
Basic	\$ (1.10)	\$ 0.03
Diluted	\$ (1.10)	\$ 0.03
Pro Forma		
Basic	\$ (0.87)	\$ 0.04
Diluted	\$ (0.87)	\$ 0.04
Weighted average number of common shares outstanding:		
Basic	16,931,120	17,976,262
Diluted	16,931,120	18,017,130

	September 30, 2006 (dollars in thousands)
Balance Sheet Data:	
Cash and cash equivalents	\$ 5,523
Current assets	14,588
Working capital	2,620
Total assets (2)	39,663
Current liabilities	11,968
Total liabilities	12,063

Unaudited Pro Forma Comparative Per Share Information

	For the Year Ended December 31, 2005	For the Nine Months Ended September 30, 2006
Earnings (loss) per common share from continuing operations		
Precis, Inc.:		
Historical	\$ (1.10)	\$ 0.03
Pro forma combined for the merger(1)	\$ (0.87)	\$ 0.04
Insurance Capital Management USA Inc.:		
Pro forma equivalent for the merger of ICM(3)	\$ (0.23)	\$ 0.15
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	\$ 1.52
Pro forma combined for the merger	\$ 1.55	\$ 1.53
Insurance Capital Management USA Inc.:		
Pro forma equivalent for the merger(3)	\$ (0.30)	\$(0.40)
Net tangible book value (deficit) per common share (end of period)(4)		
Precis, Inc.:		
Historical	\$ 0.46	\$ 0.47
Pro forma combined for the merger	\$ 0.24	\$ 0.24
Insurance Capital Management USA Inc.:		
Pro forma equivalent for the merger-acquisition(3)	\$ (0.30)	\$ (0.40)
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	(0.23)

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 \$475,000 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 \$9,309,000 of intangible assets related to the merger-acquisition. This represents the purchase price of \$7,017,000 (which is based on Adjusted EBITDA of \$832,274 for the nine months ended September 30, 2006), the accumulated deficit of ICM of \$1,816,000 at September 30, 2006 and the estimated acquisition costs of \$475,000.

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.

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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 that 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 nine months ended September 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 approximately 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 (over 80% both during 2005 and the nine months ended September 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), and 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 the Peter W. Nauert Revocable Trust, 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 9, 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. The formal valuation report, that had no material changes from the draft valuation report which was delivered on November 6, 2006, was delivered on December 27, 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, our Directors Nicholas J. Zaffiris, Russell Cleveland, Kent H. Webb, 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 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 of 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 \$65,000 of our operating income) for the nine months ended September 30, 2006 of Precis was 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 \$0.23 per share based upon our pro forma balance sheet at September 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 nine months ended September 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 adversely 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 Special 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%	250,000
Eliseo Ruiz III	Executive Vice President and General Counsel and Secretary	2,200	.016%	250,000
Nicholas J. Zaffiris	Non-Executive Chairman of the Board of Directors			65,000
Russell Cleveland	Director	3,242,313	23.99%	
Kent H. Webb	Director and Medical Director	94,019	.69%	113,000
Eugene E. Becker	Director			65,000
J. French Hill	Director	2,000	.014%	65,000
Kenneth S. George	Director			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 \$11,015,000 for accounting purposes, which along with the accumulated deficit of ICM of \$1,816,000 at September 30, 2006, will result in approximately \$12,832,000 recorded as goodwill and other intangible assets, if any. This pro forma purchase price is the aggregate sum of

- \$10,540,000 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 \$1.56, the discounted closing sale price of our common stock based on the average closing price for the three days prior to and subsequent to the announcement of the merger; and
- the costs of the merger-acquisition which are estimated to be \$475,000.

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 Special 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 3,338,332 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 224,748 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 3,563,080 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 Special 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 Special Meeting, we will vote all proxies in the same manner as they would have been voted at the original convening of the Special 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;
- *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; and
- *Interim Results of Operations* Insuraco, ICM's operating subsidiary, must achieve earnings before interest, taxes, depreciation and amortization (*i.e.*, the 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 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. The Adjusted EBITDA was \$832,274 for the nine months ended September 30, 2006.

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

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- (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.

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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	