

PRECIS INC
Form DEF 14A
June 28, 2005
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.)

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

(Name of Registrant as Specified In Its Charter)

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

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Dear Shareholder:

You are cordially invited to attend the 2005 Annual Meeting of Shareholders (Annual Meeting) of Precis, Inc. (the Company), which will be held at the Hampton Inn at 2050 North Highway 360, Grand Prairie, Texas on July 26, 2005, at 4:30 p.m., central daylight time. The official Notice of Annual Meeting, together with a proxy statement and form of proxy, are enclosed. Please give this information your careful attention.

A number of important matters will be considered at the Annual Meeting, including the election of directors. The Precis Board of Directors urges your careful consideration of these and the other matters to be presented at the Annual Meeting.

Precis invites all shareholders to attend the meeting in person. If you cannot be present, you may vote by mailing the enclosed proxy card or by other methods made available by your bank, broker or nominee. Voting by written proxy will ensure your representation at the Annual Meeting if you choose not to attend in person. Please review the instructions on the proxy card or the information forwarded by your bank, broker or nominee concerning your voting options. The shareholders attending the Annual Meeting may vote in person even if they have returned a proxy.

Sincerely,

Nicholas J. Zaffiris,
Chairman of the Board of Directors

Grand Prairie, Texas
June 30, 2005

PRECIS, INC.

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

NOTICE OF ANNUAL MEETING
To be held on July 26, 2005

TO THE SHAREHOLDERS:

Precis, Inc., will hold its annual shareholders meeting (the Annual Meeting) at the Hampton Inn at 2050 North Highway 360, Grand Prairie, Texas, commencing at 4:30 p.m., local time on July 26, 2005, to vote on:

1. The election of six directors, each to hold office until the 2006 annual meeting of shareholders and until her or his successor is duly elected and qualified;
2. The ratification of BDO Seidman, LLP as the independent registered public accounting firm for 2005; and
3. Any other business that properly comes before the meeting or any adjournment or postponement of the Annual Meeting.

Precis shareholders at the close of business on June 21, 2005, are receiving notice and may vote at the Annual Meeting. The election of directors will be determined by a plurality vote. Approval of all other matters properly brought before the Annual Meeting requires the affirmative vote of a majority of the shares cast on the proposal.

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

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

BY ORDER OF THE BOARD OF DIRECTORS:

Eliseo Ruiz III,
Secretary and General Counsel

Grand Prairie, Texas
June 30, 2005

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PROXY STATEMENT

Precis, Inc.

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

**ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON JULY 26, 2005**

SOLICITATION AND REVOCATION OF PROXIES

This Proxy Statement is furnished to the shareholders of Precis, Inc. in connection with an Annual Meeting of the holders of Precis common stock to be held in the Hampton Inn at 2050 North Highway 360, Grand Prairie, Texas, at 4:30 p.m., local time, on July 26, 2005, and any adjournment or postponement of the Annual Meeting. This Proxy Statement and the accompanying Notice of Annual Meeting of Shareholders and Proxy will be first mailed on or about June 30, 2005, to Precis shareholders of record on June 21, 2005.

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

- the election of six directors, each to hold office until the 2006 annual meeting of shareholders and until her or his successor is duly elected and qualified; and
- ratification of BDO Seidman, LLP as the independent registered public accounting firm for 2005.

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

- giving written notice of revocation to our Secretary at any time before your Proxy is voted,
- executing another valid proxy bearing a later date and delivering this proxy to our Secretary prior to or at the Annual Meeting, or
- attending the Annual Meeting and voting in person.

Neither the corporate laws of Oklahoma, the state in which we are incorporated, nor our Certificate of Incorporation or Bylaws have any provisions regarding the treatment of abstentions and broker non-votes. Accordingly, (i) abstentions and broker non-votes are counted for purposes of determining the presence of a quorum at the Annual Meeting, (ii) abstentions are treated as votes not cast but as shares represented at the Annual Meeting for purposes of determining results on actions requiring a majority vote (broker non-votes are treated as votes neither cast nor represented for purposes of such actions), and (iii) neither abstentions nor broker non-votes are counted in determining results of plurality votes.

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

SHAREHOLDERS ENTITLED TO VOTE

The shareholders entitled to vote at the Annual Meeting are the holders of record, at the close of business on June 21, 2005 (the Record Date), of 12,156,239 shares of common stock then outstanding. Each holder of a share of common stock outstanding on the Record Date will be entitled to one vote for each share held on each matter presented at the Annual Meeting. Our officers, directors and nominee directors own of record a total of 104,609 shares or 0.9% of our issued and outstanding common stock, all of which we anticipate will be voted in favor of the matters to be voted upon at the Annual Meeting. There is no cumulative voting with respect to the election of directors. The presence in person or by proxy of the holders of a majority of the shares of common stock outstanding and represented at the Annual Meeting will constitute a quorum for the transaction of business.

PROPOSAL ONE ELECTION OF DIRECTORS

Our Board of Directors has nominated each of Eugene E. Becker, J. French Hill, Kent H. Webb, Nicholas J. Zaffiris, Kenneth S. George and Robert E. Jones (each, a Nominee or, collectively, Nominees) for election as a director for a term expiring in 2006 or until his successor is elected and qualified or until his earlier death, resignation or removal. For information about each Nominee, see Directors.

The persons named as proxies in the accompanying Proxy, who have been designated by our Board, intend to vote, unless otherwise instructed in the Proxy, for the election of Messrs. Becker, Hill, Webb, Zaffiris, George and Jones. Should any Nominee become unable for any reason to stand for election as a director, it is intended that the persons named in the Proxy will vote for the election of another person as our Board may recommend. We know of no reason why the Nominees will be unavailable or unable to serve.

Required Affirmative Vote

A plurality of the votes cast is required for the election of directors. This means that the six director nominees with the most votes are elected. An abstention from voting and broker non-votes will be tabulated as a vote withheld on the election, but will be included in computing the number of shares present for purposes of determining the presence of a quorum for the Annual Meeting.

Recommendation of Our Board of Directors

Our Board of Directors recommends a vote FOR the election of Eugene E. Becker, J. French Hill, Kent H. Webb, Nicholas J. Zaffiris, Kenneth S. George and Robert E. Jones to our Board. We will vote your proxy accordingly unless you specify a contrary choice.

BOARD OF DIRECTORS AND COMMITTEE MATTERS

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

Name	Age	Position
Eugene E. Becker(1)(2)(3)	56	Director and Nominee Director
Kenneth S. George(1)	57	Director and Nominee Director
J. French Hill(2)	48	Director and Nominee Director
Robert E. Jones (1)	59	Director and Nominee Director
Kent H. Webb, M.D.(2)(3)(4)	48	Director and Nominee Director
Nicholas Zaffiris(1)(3)(4)	42	Director and Nominee Director

- (1) Member of the Compensation Committee.
- (2) Member of the Audit Committee.
- (3) Member of the Governance and Nominating Committee.
- (4) Member of the Medical Committee.

Information About Each Director

Eugene E. Becker became one of our directors in August 2002. He is President of Eugene Becker & Associates, Inc., a privately-held marketing and consulting company, a capacity in which he has been engaged since 2000. Mr. Becker served as the Chief Executive Officer of Aon Financial Partnerships during May to September 2000. During 1983 to 1999, Mr. Becker served as Chief Marketing Officer of American Bankers Insurance Group (during 1991 to 1999), Chief Executive Officer, and President and Chairman of the Board of American Bankers Insurance Company, American Bankers Life Assurance Company, Voyager Insurance Group, American Reliable Insurance Company and Banker American Life Assurance Company (during 1988 to 1999). Mr. Becker currently serves as a member of the board of directors for two companies: Signal Holdings Inc. and Pacific Specialty Insurance Company. Mr. Becker received a B.A. from Biscayne College (now St. Thomas University), and a M.B.A. from the University of Miami.

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

J. French Hill joined the board of directors in January 2003. In 1999, Mr. Hill founded Delta Trust & Banking Corp., a privately held banking, trust and investment brokerage company headquartered in Little Rock, AR, following a six year career with Arkansas largest publicly traded holding company, First

Commercial Corp. First Commercial was sold in 1998 to Regions Financial Corp. (RF). As an executive officer of First Commercial, Mr. Hill was chairman of the bank holding company's trust division and its investment brokerage dealer subsidiary from 1995 until 1998. He also oversaw a number of other staff functions in the company from 1993 through 1998 including human resources, executive compensation, bank compliance, credit review and strategic planning. During the last five years he has served as a member of the board of directors of these companies: Delta Trust & Banking Corp. and its affiliates (1999 to present); Research Solutions LLC, a privately held company in the clinical trials business (1999 to present), and Syair Designs LLC (2000-2003) a privately held company in the aircraft lighting systems business. From May 1989 through January 1993, Mr. Hill was a senior economic policy official in the George H. W. Bush Administration on the staff of the White House and as deputy assistant secretary of the U.S. Treasury. Mr. Hill graduated magna cum laude in economics from Vanderbilt University.

Robert E. Jones became one of our directors in October 2004. Mr. Jones has been President and Chief Executive Officer of the National Center for Employment of the Disabled (NCED) since 1994. NCED is a not for profit, manufacturing and service corporation. Since 1990, Mr. Jones has been managing Director of JW Investments, JFT Management and JW Properties. Each of these private companies specializes in the development and management of commercial and industrial properties. Mr. Jones holds a B.A. degree from the University of Houston.

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

Nicholas J. Zaffiris became one of our directors in August 2002, and was named Chairman of the Board in June 2005. He is currently the Vice President of Sales and Account Management, West, at Private Healthcare Systems (PHCS), a privately-held preferred provider organization, and is responsible for new sales and existing customer retention and grants for the Western region of the country. Mr. Zaffiris joined PHCS in early 1998, and has more than 10 years of healthcare experience, including client management, sales, marketing and customer service. Before joining PHCS, he worked for the National Account Service Company, Blue Cross Blue Shield of Florida, and served as a Lieutenant in the United States Navy. Mr. Zaffiris received a B.S. in Political Science from the United States Naval Academy.

Information Concerning the Board of Directors

Our Board of Directors currently consists of six members, five of whom qualify as independent within the meaning of the listing standards of The Nasdaq Stock Market, Inc. The Board determined that each member of the Board, other than Robert E. Jones, qualify as independent directors. Mr. Jones does not qualify because of his recent affiliation with the National Center for Employment of the Disabled, from whom we acquired Access HealthSource, Inc. in June 2004.

Each nominee director currently serves as a member of our Board of Directors. During 2004, our Board of Directors held 7 meetings and took action one time through unanimous approval of a written record and memorandum of action in lieu of meeting. All of the Nominees were present at the Board meetings and the meetings of the Committees on which he served, other than Mr. George, who failed to attend one Board meeting and Mr. Becker, who failed to attend two board meetings. The Board met in executive session, without members of management, four times.

Our Board maintains four standing committees: Audit, Compensation, Governance and Nominating, and Medical. The Compensation Committee and Audit Committee were established in 1999 and the Corporate Governance Committee and Medical Committee were established in 2003. In 2004, the Corporate Governance Committee became the Governance and Nominating Committee by action of the Board. All committees report on their activities to our Board and serve at the pleasure of our Board. The specific duties of the Audit and Governance and Nominating Committees are set forth in the charter of the committee. The charters of our Audit and Governance and Nominating committees are available on the Precis web site at www.precis-pcis.com under the section marked investor relations .

Audit Committee Matters

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

Our Board of Directors has determined that J. French Hill, one of our Directors and member and Chairman of the Audit Committee, qualifies as a financial expert. This determination was based upon Mr. Hill's

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

Mr. Hill's experience and qualification as a financial expert were acquired through his extensive background in financial analysis, investment banking, finance and commercial banking. He has also participated in the preparation of financial statements and registration statements filed with the Securities and Exchange Commission. Mr. Hill also currently serves on two other audit committees (in one case, as an *ex officio* member) of companies that are not publicly-held where he has oversight responsibility of the financial statements and works with the internal accountants and external auditors on audit and accounting matters.

In the performance of its functions, our Audit Committee

- reviewed and discussed the audited consolidated financial statements for 2004 with our management,
- received the written disclosures and the letter from our independent registered public accounting firm required by Independence Standards Board Standard No. 1 and discussed with the independent registered public accounting firm their independence, and
- recommended to our Board of Directors that the audited financial statements as of and for the year ended December 31, 2004 be included in our annual report on Form 10-K for filing with the Securities and Exchange Commission.

Our review with the independent registered public accounting firm included a discussion of such firm's judgments as to the quality, not just the acceptability, of our accounting principles and other matters as are to be discussed with the Audit Committee under Statement of Auditing Standards No. 61. The Audit Committee also discussed with the independent registered public accounting firm their independence from the Company and our management, including disclosures received by the Audit Committee in accordance with the requirements of the Independence Standards Board. Furthermore, the Audit Committee considered whether the non-financial statement audit services provided by our independent registered public accounting firm affected their independence. The Audit Committee will discuss with our independent registered public accounting firm the overall scope and plans of their audit for 2005.

Each member of the Audit Committee is an independent director within the meaning of the listing standards of The Nasdaq Stock Market, Inc. and the rules of the Securities and Exchange Commission. During 2004, our Audit Committee formally met six (6) times and Mr. Hill, the Chairman of the Audit Committee and designated financial expert, met with our registered independent public accounting firm by telephone or in person on a quarterly basis to discuss our quarterly financial statements. Our Audit Committee met with our Board of Directors four (4) times during 2004.

Change of Independent Registered Public Accounting Firm. Effective June 19, 2003, our Board of Directors, upon the recommendation of the Audit Committee, dismissed Murrell, Hall, McIntosh & Co., PLLP as our independent public accountants. On the same date, upon the recommendation and approval of the Audit Committee, our Board of Directors engaged BDO Seidman, LLP as our independent registered public accounting firm for 2003. BDO Seidman, LLP, remains our registered independent public accounting firm.

The audit reports of Murrell, Hall, McIntosh & Co., PLLP reports on our 2000, 2001 and 2002 consolidated financial statements contained no adverse opinion or disclaimer of opinion and were not qualified or modified, as to uncertainty, audit scope, or accounting principles.

There were no disagreements with Murrell, Hall, McIntosh & Co., PLLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which disagreements, if not resolved to the satisfaction of Murrell, Hall, McIntosh & Co., PLLP would have caused it to make reference to the subject matter of the disagreements in connection with its reports. Also, there was no occurrence of a reportable event under Item 304(a)(1)(v) of Regulation S-K or Item 304 of Regulation S-B respecting the years ended December 31, 2000, 2001 and 2002 and the interim period through May 14, 2003.

We provided Murrell, Hall, McIntosh & Co., PLLP with a copy