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ATSI COMMUNICATIONS INC/DE
Form PRER14A
March 15, 2004

SCHEDULE 14A
(RULE 14A-101)

INFORMATION REQUIRED IN INFORMATION STATEMENT
SCHEDULE 14A INFORMATION

INFORMATION STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant [X]

Filed by a party other than the Registrant []

Check the appropriate box:

- [X] Preliminary Proxy Statement.
- [] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).
- [] Definitive Proxy Statement.
- [] Definitive Additional Materials.
- [] Soliciting Material Pursuant to Sec.240.14a-11(c) or Sec.240.14a-12.

ATSI COMMUNICATIONS, INC.
(Name of Registrant as Specified in its Charter)

Payment of Filing Fee (check the appropriate box):

- [X] No Fee Required.
- [] 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:
 - 2) Aggregate number of securities to which transaction applies:
 - 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth amount on which filing fee is calculated and state how it was determined):
 - 4) Proposed maximum aggregate value of transaction:
 - 5) Total fee paid:
- [] Fee paid previously with preliminary materials.
- [] 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 offering fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of the filing.
 - 1) Amount previously paid:
 - 2) Form, Schedule or Registration Statement No.:
 - 3) Filing Party:
 - 4) Date Filed:

ATSI COMMUNICATIONS, INC.
8600 WURZBACH ROAD, SUITE 700W
SAN ANTONIO, TX 78240
(210) 614-7240

Dear Stockholders:

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You are cordially invited to attend the 2004 Annual Meeting of Stockholders of ATSI Communications, Inc. ("ATSI") that will be held at 10:00 AM (local time) on April 27, 2004, at the Conference Hall of the Dr. Burton E. Grossman International Conference Center, University of the Incarnate Word, 4301 Broadway, San Antonio, Texas.

Persons owning shares of the Common Stock, \$.001 par value per share (the "Common Stock") or the Series A Convertible Preferred Stock, \$.001 par value per share (the "Series A Preferred Stock") of record as of March 22, 2004 are entitled to notice of and to vote at the Annual Meeting. At the meeting you will be asked to consider and vote upon the following matters more fully described in the accompanying Proxy Statement:

PROPOSAL 1. ELECTION OF DIRECTORS. You will have the opportunity to -----
elect two members of the Board of Directors for a term of three years. The following persons are our nominees for election:

Murray R. Nye
Richard C. Benkendorf

PROPOSAL 2. APPOINTMENT OF AUDITORS. You will be asked to ratify the -----
selection of Malone and Bailey, PLLC as our independent auditors for the year ending July 31, 2004.

PROPOSAL 3. RE-INCORPORATION IN NEVADA. You will be asked to approve -----
the re-incorporation of ATSI in Nevada by merging ATSI with and into a wholly owned subsidiary created for that purpose.

If other business is properly raised at the meeting or if we need to adjourn the meeting, you will be asked to vote on these matters, too. This Notice and the accompanying Proxy Materials and Proxy were first mailed on March 26, 2004.

YOUR VOTE IS IMPORTANT. WE ASK YOU TO COMPLETE, DATE, SIGN AND RETURN THE ACCOMPANYING PROXY WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING. SIGNATURE OF A PROXY WILL NOT AFFECT YOUR RIGHT TO REVOKE THE PROXY IF YOU LATER DECIDE TO ATTEND THE MEETING AND VOTE IN PERSON. IF YOU PLAN TO ATTEND THE ANNUAL MEETING TO VOTE IN PERSON AND YOUR SHARES ARE REGISTERED IN THE NAME OF YOUR BROKER, NOMINEE OR BANK, YOU MUST SECURE A PROXY FROM THE BROKER, NOMINEE OR BANK ASSIGNING VOTING RIGHTS TO YOU FOR YOUR SHARES.

Sincerely,

Arthur L. Smith
President and Chief Executive Officer

ATSI COMMUNICATIONS, INC.
8600 WURZBACH ROAD, SUITE 700W
SAN ANTONIO, TX 78240
(210) 614-7240

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS
APRIL 27, 2004, AND ADJOURNMENTS

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APPROXIMATE DATE PROXY MATERIAL FIRST SENT TO STOCKHOLDERS:
MARCH 26, 2004

SOLICITATION BY THE BOARD OF DIRECTORS

The accompanying proxy, for use only at the 2004 Annual Meeting of Stockholders (the "Annual Meeting") to be held at 10:00 AM (local time) on April 27, 2004, and any and all adjournments thereof, is solicited by the Board of Directors of ATSI Communications, Inc. (the "Company" or "ATSI"). We are making this solicitation by mail and in person or by telephone through our officers, directors and regular employees. We may make arrangements with brokerage houses or other custodians, nominees and fiduciaries to send proxy material to their principals. All expenses incurred in this solicitation of proxies will be paid by the Company.

MATTERS TO BE CONSIDERED

As of the date of these proxy materials, the Board of Directors is aware of the following matters that will be considered at the meeting:

PROPOSAL 1. ELECTION OF DIRECTORS. You will have the opportunity to

elect two members of the Board of Directors for a term of three years. The following persons are our nominees for election:

Murray R. Nye
Richard C. Benkendorf

PROPOSAL 2. APPOINTMENT OF AUDITORS. You will be asked to ratify the

selection of Malone and Bailey, PLLC as our independent auditors for the year ending July 31, 2004.

PROPOSAL 3. RE-INCORPORATION IN NEVADA. You will be asked to approve

the re-incorporation of ATSI in Nevada by merging ATSI with and into a wholly owned subsidiary created for that purpose.

In addition, other proper matters relating to the administration of the meeting and matters of which the Board of Directors has no knowledge may be brought before the meeting for a vote. The accompanying Proxy grants discretionary authority to the proxy to vote on such matters.

QUORUM REQUIRED

Holders of Common Stock and Series A Preferred Stock as of March 22, 2004 (the "Record Date") are entitled to notice of and to vote at the Annual Meeting. As of the Record Date, there were 103,655,190 shares of Common Stock outstanding, which were held by approximately 1,466 holders of record and approximately 12,941 beneficial owners, and 4,370 shares of Series A Preferred Stock held by nine (9) holders of record. Together, there are a total of 104,306,320 voting interests entitled to vote at the Annual Meeting. Each share of Common Stock is entitled to one (1) vote on each matter to come before the Annual Meeting and one (1) vote for each vacancy on the Board of Directors. Each share of Series A Preferred Stock is entitled to 149 votes on each matter to come before the Meeting and 149 votes for each vacancy on the Board of Directors. Neither the Common Stock nor the Series A Preferred Stock are entitled to cumulate their votes.

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The presence of the holders of a majority of the issued and outstanding voting interests entitled to vote, either in person or represented by proxy, is necessary to constitute a quorum for the transaction of business at the Annual Meeting. Proxies that withhold authority to vote for a nominee or abstain from voting on any matter are counted for the purpose of

determining whether a quorum is present. Broker non-votes, which may occur when a broker or nominee has not received timely voting instructions on certain proposals, are not counted for the purpose of determining whether a quorum is present. If there are not sufficient voting interests represented at the meeting to constitute a quorum, the meeting may be adjourned until a specified future date to allow the solicitation of additional proxies.

VOTE REQUIRED FOR ADOPTION OF CERTAIN MATTERS

Directors are elected by a plurality of the votes cast at the meeting. The two (2) nominees that receive the greatest number of votes will be elected even though the number of votes received may be less than a majority of the shares represented in person or by proxy at the meeting. Proxies that withhold authority to vote for a nominee and broker non-votes will not prevent the election of such nominee if other stockholders vote for such a nominee and a quorum is present.

The ratification of Malone and Bailey, PLLC as the Company's independent public accountants requires the affirmative vote of a majority of the voting interests represented in person or by proxy at the meeting. Proxies that abstain from voting on this proposal have the same effect as a vote against this proposal. Broker non-votes will not have any effect on this proposal if a quorum is present.

The approval of the re-incorporation of the Company in Nevada requires the affirmative vote of a majority of the issued and outstanding voting interests, voting together as a class, and a majority of the Common Stock, voting separately as a class. Proxies that abstain from voting on this proposal and broker non-votes will have the same effect as a vote against this proposal. Failure to return a proxy or to vote your shares at the meeting will also have the same effect as a vote against this proposal.

Other matters that are properly brought before the meeting will require the affirmative vote of at least a majority of the voting interests represented in person or by proxy at the meeting. Certain matters, such as an amendment to the Articles of Incorporation, may require a greater number of votes if they are properly brought before the meeting. We are not aware of any other matters that will be brought before the meeting at the time these Proxy Materials were mailed.

REVOCABILITY OF PROXIES; DISCRETIONARY AUTHORITY

Any stockholder executing a proxy retains the right to revoke it by signing and delivering a proxy bearing a later date, by giving notice of revocation in writing to the Secretary of the Company at any time prior to its use, or by voting in person at the meeting. All properly executed proxies received by the Company and not revoked will be voted at the meeting, or any adjournment thereof, in accordance with the specifications of the stockholder. IF NO INSTRUCTIONS ARE SPECIFIED ON THE PROXY, SHARES REPRESENTED THEREBY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES DESCRIBED HEREIN, FOR RATIFICATION OF MALONE AND BAILEY, PLLC AS THE COMPANY'S INDEPENDENT PUBLIC ACCOUNTANTS FOR THE CURRENT FISCAL YEAR, AND FOR THE RE-INCORPORATION OF THE COMPANY IN NEVADA. PROXIES ALSO GRANT DISCRETIONARY PROPER AUTHORITY AS TO APPROVAL OF THE MINUTES OF THE PRIOR ANNUAL MEETING, MATTERS INCIDENT TO THE CONDUCT OF THE MEETING, AND

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MATTERS PRESENTED AT THE MEETING OF WHICH THE BOARD OF DIRECTORS HAD NO NOTICE ON THE DATE HEREOF.

VOTING SECURITIES AND OWNERSHIP THEREOF BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table lists the beneficial ownership of shares of the Company's Common Stock and Series A Preferred Stock by (i) all persons and groups known by the Company to own beneficially more than 5% of the outstanding shares of the Company's Common Stock or Series A Preferred Stock, (ii) each director and nominee, (iii) each person who held the office of Chief Executive Officer during the last fiscal year or at any time during the year ended July 31, 2003, (iv) the four highest compensated executive officers who were serving as executive officers on July 31, 2003, (v) each person who would have been one of the four highest compensated executive officers but was not serving as an executive officer on July 31, 2003, and (vi) all directors and officers as a group. None of the directors, nominees or officers of the Company owned any equity security issued by the Company's subsidiaries other than director's qualifying shares. Information with respect to officers, directors and their families is as of March 22, 2004 and is based on the books and records of the Company and information obtained from each individual. Information with respect to other stockholders is based upon the Schedule 13D or Schedule 13G filed by such stockholders with the Securities and Exchange Commission. Unless otherwise stated, the business address of each individual or group is the same as the address of the Company's principal executive office and all shares are beneficially owned solely by the person indicated.

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| NAME OF INDIVIDUAL OR GROUP | COMMON STOCK | PERCENT OF CLASS (1) | SERIES A PREFERRED STOCK | PERCENT OF CLASS (2) | TOTAL INTE |
|--------------------------------------------------------------------------------|-----------------|-------------------------|--------------------------------|-------------------------|---------------|
| ----- | ----- | ----- | ----- | ----- | ----- |
| 5% STOCKHOLDERS | | | | | |
| Peter Blindt 30 E. Huron #5407 Chicago, IL 60611 | -0- | * | 500 | 11.4% | |
| Edward Corcoran 6006 W. 159th Street Bldg. C 1-W Oak Forest, IL 60452 | -0- | * | 500 | 11.4% | |
| Gerald Corcoran 11611 90th Avenue St. John, IN 46373 | -0- | * | 500 | 11.4% | |
| Joseph Migilio 13014 Sandburg Ct. Palos Park, IL 60464 | -0- | * | 1,005 (4) | 23.0% | |
| Rocky Dazzo 9931 W. Mission Dr. Palos Park, IL 60464 | -0- | * | 620 (4) | 14.2% | |
| Jeffrey Tessiatore 131 Settlers Dr. | -0- | * | 500 | 11.4% | |

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Naperville, IL 60565

| | | | | |
|------------------------------------------------------------|-----|---|-----|-------|
| Albert Vivo 9830 Circle Parkway Palos Park, IL 60464 | -0- | * | 500 | 11.4% |
|------------------------------------------------------------|-----|---|-----|-------|

| | | | | |
|------------------------------------------------------------|-----|---|-----|-------|
| Gary Wright 3404 Royal Fox Dr. St. Charles, IL 60174 | -0- | * | 750 | 17.2% |
|------------------------------------------------------------|-----|---|-----|-------|

INDIVIDUAL OFFICERS,
DIRECTORS AND
NOMINEES

| | | | | | | |
|--------------------------------------------------------------------|-----------|-----|-----|-----|---|----|
| Arthur L. Smith President, Chief Executive Officer, Director | 3,488,448 | (5) | 3.3 | -0- | * | 3, |
|--------------------------------------------------------------------|-----------|-----|-----|-----|---|----|

| | | | | | | |
|------------------------------------------------------------|-----|--|---|-----|---|--|
| Stephen M. Wagner Former Chief Executive Officer (6) | -0- | | * | -0- | * | |
|------------------------------------------------------------|-----|--|---|-----|---|--|

| | | | | | | |
|--------------------------------------------------------------------|-----|--|---|-----|---|--|
| Raymond G. Romero Former Interim Chief Executive Officer (7) | -0- | | * | -0- | * | |
|--------------------------------------------------------------------|-----|--|---|-----|---|--|

| | | | | | | |
|-------------------------------------------------------------|---------|-----|---|-----|---|--|
| Ruben R. Caraveo Vice President, Sales and Operations | 200,000 | (8) | * | -0- | * | |
|-------------------------------------------------------------|---------|-----|---|-----|---|--|

| | | | | | | |
|-----------------------------|---------|-----|---|-----|---|--|
| John R. Fleming Director | 153,334 | (9) | * | -0- | * | |
|-----------------------------|---------|-----|---|-----|---|--|

| | | | | | | |
|-----------------------------------|---------|------|---|-----|---|--|
| Richard C. Benkendorf Director | 320,834 | (10) | * | -0- | * | |
|-----------------------------------|---------|------|---|-----|---|--|

| | | | | | | |
|---------------------------|---------|------|---|-----|---|--|
| Murray R. Nye Director | 455,844 | (11) | * | -0- | * | |
|---------------------------|---------|------|---|-----|---|--|

| | | | | | | |
|------------------------------------------|-----------|------|-----|-----|---|----|
| ALL OFFICERS AND DIRECTORS AS A GROUP | 4,810,960 | (12) | 4.6 | -0- | * | 4, |
|------------------------------------------|-----------|------|-----|-----|---|----|