

Edgar Filing: AMS HEALTH SCIENCES INC - Form DEF 14A

AMS HEALTH SCIENCES INC
Form DEF 14A
April 28, 2006

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

SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY 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:

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

AMS HEALTH SCIENCES, 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):

- ☒ [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 of other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount of which the 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 offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Edgar Filing: AMS HEALTH SCIENCES INC - Form DEF 14A

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

AMS HEALTH SCIENCES, INC.
711 NE 39th Street
Oklahoma City, Oklahoma 73105
Telephone: (405) 842-0131

NOTICE OF ANNUAL MEETING

TO OUR SHAREHOLDERS:

Our Annual Meeting of Shareholders will be held at the Sheraton Hotel at 1 North Broadway Avenue in Oklahoma City, Oklahoma, on July 29, 2006 commencing at 12:00 P.M. Central Daylight-Savings Time, and thereafter as it may be adjourned from time to time, for the following purposes:

1. To elect two directors to hold office until the 2009 annual meeting of shareholders and until their successors shall have been duly elected and qualified;
2. To consider and approve the AMS Health Sciences, Inc. 2006 Long-Term Incentive Plan;
3. To consider and act upon a proposal to ratify the appointment of Cole & Reed P.C. as our independent auditor for 2006; and
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

Holders of record of common stock at the close of business on May 30, 2006, are entitled to notice of and to vote at the meeting or any adjournment thereof, notwithstanding transfer of any stock on our books after such record date. The accompanying proxy statement contains information regarding the matters to be considered at the Annual Meeting. Copies of this notice and the accompanying proxy statement were first mailed to shareholders on or about June 23, 2006. For reasons set forth in the attached proxy statement, the Board of Directors recommends a vote "FOR" 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 shareholders, their proxies and our invited guests. All shareholders are cordially invited to attend the Annual Meeting.

BY ORDER OF THE BOARD OF DIRECTORS:

Edgar Filing: AMS HEALTH SCIENCES INC - Form DEF 14A

Robin L. Jacob, Corporate Secretary

Oklahoma City, Oklahoma
June 23, 2006

PROXY STATEMENT

AMS Health Sciences, Inc.
711 NE 39th Street
Oklahoma City, Oklahoma 73105
(405) 842-0131

ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JULY 29, 2006

Solicitation and Revocation of Proxies

We at AMS Health Sciences, Inc. are furnishing this proxy statement in connection with the solicitation of proxies by our Board of Directors to be used at the Annual Meeting of our shareholders to be held at 12:00 P.M., Central Daylight-Savings Time, on July 29, 2006, at the Sheraton Hotel at 1 North Broadway Avenue in Oklahoma City, Oklahoma, and any adjournment thereof. This proxy statement and the accompanying Notice of Annual Meeting of Shareholders and Proxy were first mailed on or about June 23, 2006, to our shareholders of record on May 30, 2006.

If the accompanying proxy is properly executed and returned, the shares of common stock represented by the proxy will be voted at the Annual Meeting. If you indicate in your proxy a choice with respect to any matter to be acted upon, your shares will be voted in accordance with your choice. If no choice is indicated, your shares will be voted "FOR" the election of the nominees for director listed below, "FOR" the approval of the AMS Health Sciences, Inc. 2006 Long-Term Incentive Plan, and "FOR" the ratification of the appointment of Cole & Reed P.C. as our independent auditor for 2006. Our shareholders will also consider and vote upon such other business as may properly come before the Annual Meeting or any adjournment thereof. 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. You may revoke your proxy by giving written notice of your revocation to our Secretary at any time before your proxy is voted, by executing another valid proxy bearing a later date and delivering the new proxy to our Secretary prior to or at the Annual Meeting, or by attending the Annual Meeting and voting in person.

Quorum; Absentions; Broker Non-Votes

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

Cost of Proxy Solicitation

The expenses of this proxy solicitation, including the cost of preparing and mailing this proxy statement and accompanying proxy will be borne by us. Such expenses will also include the charges and expenses of banks, brokerage

Edgar Filing: AMS HEALTH SCIENCES INC - Form DEF 14A

firms and other custodians, nominees or fiduciaries for forwarding solicitation material regarding the Annual Meeting to beneficial owners of our common stock. Solicitation of proxies may be made by mail, telephone, personal interviews or by other means by members of our Board of Directors or our employees who will not be additionally compensated therefore, but who may be reimbursed for their out-of-pocket expenses in connection therewith.

Shareholders Entitled to Vote

Shareholders entitled to vote at the Annual Meeting are the holders of record, at the close of business on May 30, 2006, our record date, of our shares of common stock then outstanding. As of April 27, 2006, we had 7,775,824 shares of our common stock 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. As of April 27, 2006, our current officers and directors own a total of 386,517 shares, or 4.3% percent of the issued and outstanding common stock, and intend to vote all of these shares 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 issued and outstanding at the Annual Meeting will constitute a quorum for the transaction of business. All matters to be brought before the Annual Meeting will require the affirmative vote of a majority of the shares of common stock present at the Annual Meeting in person and by proxy and entitled to vote. Votes will be tabulated by an inspector of election appointed by our Board of Directors.

PROPOSAL 1

ELECTION OF DIRECTORS

Our Bylaws provide that our Board of Directors shall consist of not less than one nor more than fifteen directors, as determined from time to time by resolution of our Board of Directors. The number of directors is currently fixed at seven (7) directors. After our 2005 shareholders' meeting, our board of directors consisted of John Hail, David D'Arcangelo, Reggie Cook, Steven M. Dickey, C. Brent Haggard, M. Thomas Buxton III and Harland C. Stonecipher. Since that time we have had numerous changes to our Board of Directors.

The following is a list of our directors that have tendered their resignations since the last annual meeting. None of these directors' resignations were the result of a disagreement with us related to our operations, policies or practices.

Director -----	Effective Date of Resignation -----
David D'Arcangelo	May 10, 2005
Reggie Cook	December 9, 2005
Harland C. Stonecipher	December 9, 2005
C. Brent Haggard	January 4, 2006
John Hail	February 12, 2006

In February 2006, our Board of Directors appointed Robin L. Jacob to the Board to fill the vacancy left by Mr. Cook's resignation and appointed Jerry W. Grizzle to the Board to fill the vacancy left by Mr. Hail's resignation. In March 2006, our Board of Directors appointed Stephen E. Jones to the Board to fill the vacancy left by Mr. Haggard's resignation.

In general, our directors are divided into three classes. Class I Directors hold office for a term expiring at the annual meeting of shareholders to be held in 2006, Class II Directors hold office for a term expiring at the annual

Edgar Filing: AMS HEALTH SCIENCES INC - Form DEF 14A

meeting of shareholders to be held in 2007, and Class III Directors hold office for a term expiring at the annual meeting of shareholders to be held in 2008. Each director holds office for the term to which he is elected or until his successor is duly elected and qualified. Mr. Dickey and Ms. Jacob are serving as Class I Directors under a term expiring in 2006. Messrs. Grizzle and Buxton are serving as Class II Directors under a term expiring in 2007 and Mr. Jones is serving as a Class III Director under a term expiring in 2008. At each of our annual shareholders meetings, the successor to a director whose term expires at such meeting will be elected to hold office for a term expiring at the annual shareholders meeting held in the third year following the year of his election.

Our Board of Directors has nominated Steven M. Dickey and Robin L. Jacob for re-election as directors for a term ending in 2009 or until their successors shall have been duly elected and qualified. The persons named as proxies in the accompanying proxy, who have been designated by our Board of Directors, intend to vote unless otherwise instructed in the proxy, for the election of Mr. Dickey and Ms. Jacob. Should any nominee named herein become unable for any reason to stand for election as a director, the persons named in the proxy will vote for the election of such other person as our Board of Directors may recommend. We know of no reason why any nominee will be unavailable or unable to serve.

Information About Each Director and Director Nominee of AMS Health Sciences, Inc.

Name	Age	Position with Us
-----	-----	-----
Jerry W. Grizzle(1)	52	Chairman of the Board, Chief Executive Officer, President and Director
Robin L. Jacob(3) (4)	40	Chief Financial Officer, Secretary, Treasurer and Director
Steven M. Dickey(3) (4)	58	Director
Stephen E. Jones(2)	36	Director
M. Thomas Buxton III(1)	56	Director

(1) Term as a Director expires in 2007

(2) Term as a Director expires in 2008

(3) Term as a Director expires in 2006

(4) Director Nominee

Jerry W. Grizzle has served as our President, Chief Executive Officer and Chairman of the Board of Directors since February 2006. Previously, Dr. Grizzle was the President and CEO of Orbit Finer Foods, Skolniks, and most recently, CD Warehouse. Prior to his tenure with CD Warehouse, Dr. Grizzle was Vice President and Treasurer of Sonic Industries. Dr. Grizzle also began a military career as a Private in 1971 and retired as a Major General in 2005. MG Grizzle commanded the 45th Infantry Brigade in the Oklahoma National Guard. The last three years of his military career were spent on active duty as the Commander of Joint Task Force Civil Support (JTF-CS). JTF-CS is trained to respond to a weapons of mass destruction attack inside the United States. MG Grizzle is the recipient of numerous military awards and decorations. Dr. Grizzle holds a Masters of Business Administration degree and a PhD in Business Administration (Marketing).

Robin L. Jacob has served as Vice President, Secretary, Treasurer, Chief Financial Officer and a director since February 2006. Prior to that time, Ms. Jacob served as our Controller and Assistant Secretary. She has over 18 years of accounting and financial reporting experience. Ms. Jacob holds a Bachelor of Science degree in Accounting, a Masters of Business Administration degree in Finance, and is a Certified Public Accountant, licensed in the state of Oklahoma.

Steven M. Dickey has served as one of our directors since October 2002. Mr.

Edgar Filing: AMS HEALTH SCIENCES INC - Form DEF 14A

Dickey has been a practicing attorney in the Oklahoma City area since 1973, and is a principal shareholder in the firm of Dickey and Dickey Attorneys.

Stephen E. Jones has served as one of our directors since March 2006. Mr. Jones is the Vice President of Mergers & Acquisitions for Newport Capital Consultants, Inc., a position he has held for the past two years. Prior to Newport Capital, Mr. Jones was a Territory Manager for Ecolab and Johnson-Diversey since 1993. Mr. Jones holds a BSB degree in Marketing.

M. Thomas Buxton III has served as one of our directors since June 2001. Mr. Buxton has practiced as a CPA in the Oklahoma City area and has been a shareholder in M. Thomas Buxton III, CPA P.C. (formerly Buxton and Cloud, CPA's) since 1982. Mr. Buxton is a retired lieutenant colonel in the United States Army Reserve. Mr. Buxton's firm is a registered firm with the Public Companies Accounting Oversight Board.

Information About Each Executive Officer of AMS Health Sciences, Inc.

Name	Age	Position with Us
Jerry W. Grizzle(1)	52	President and Chief Executive Officer
Robin L. Jacob(3)(4)	40	Vice President, Chief Financial Officer, Secretary and Treasurer
Dennis P. Loney	52	Vice President of Operations

Jerry W. Grizzle is listed above in our directors' information.

Robin L. Jacob is listed above in our directors' information.

Dennis P. Loney is Vice President of Operations. Mr. Loney has served in this capacity since July 1995. Prior to his current position, Mr. Loney served as the Vice President of Administration of TVC Marketing, Inc. Mr. Loney brings over 22 years of business and network marketing experience.

Board Meetings and Committees

The Board of Directors has the responsibility for establishing our broad corporate policies and for our overall performance. However, the Board is not involved in our day-to-day operations. The Board is kept informed of our business through discussions with our Chief Executive Officer and other officers, by reviewing analyses and reports provided to it on a regular basis, and by participating in Board and Committee meetings.

Meetings. The Board of Directors held nine meetings during 2005. During the periods that they served none of our directors attended fewer than 75% of the aggregate of the number of Board of Directors meetings and the number of committee meetings of which he or she served. The Board has established an Audit Committee and a Compensation Committee. In accordance with our By-laws, the Board of Directors annually elects from its members the members of each Committee.

Audit Committee. Members: M. Thomas Buxton III, Steven M. Dickey and Stephen E. Jones.

The Audit Committee is composed of non-employee directors, each of which is independent as defined in Section 121 (A) of the American Stock Exchange listing standards. The Audit Committee annually considers the qualifications of our independent auditor and makes recommendations to the Board on the engagement of the independent auditor. The Audit Committee meets with representatives of the independent auditor and is available to meet at the request of the independent auditor. During these meetings, the Audit Committee receives reports regarding

Edgar Filing: AMS HEALTH SCIENCES INC - Form DEF 14A

our books of accounts, accounting procedures, financial statements, audit policies and procedures, internal accounting and financial controls, and other matters within the scope of the Audit Committee's duties. The Audit Committee reviews the plans for and results of audits for us and our subsidiaries. The Audit Committee reviews and approves the independence of the independent auditor, and considers and authorizes the fees for both audit and nonaudit services of the independent auditor. The duties and obligations of the Audit Committee are contained in the Audit Committee Charter, a copy of which was attached as Appendix A to our proxy statement for our 2005 annual shareholders meeting. See the "Audit Committee Report" included elsewhere herein.

The Board of Directors has determined that Mr. Buxton is a financial expert as defined in Item 401(h)(2) of Regulation S-K. Mr. Buxton has practiced as a Certified Public Accountant in the State of Oklahoma since 1982. In addition, he was previously the Chief Financial Officer for a holding company. As such, Mr. Buxton possesses the attributes necessary to qualify as an audit committee financial expert.

Mr. Haggard was a member of the Audit Committee until his resignation from the Board of Directors, effective January 4, 2006. Mr. Jones replaced Mr. Haggard on the Audit Committee effective March 10, 2006. During 2005, the Audit Committee met seven times. Messrs. Buxton and Dickey were present at all meetings. Mr. Haggard attended one meeting.

We do not have a Corporate Governance and Nominating Committee. After review, our Board of Directors concluded that formation of a separate committee would be financially unreasonable and administratively burdensome, based on the size and nature of the Company. As a result, the Audit Committee acts in place of a Corporate Governance and Nominating Committee. The Audit Committee acts in the following capacities:

- o Evaluation of our corporate governance effectiveness and recommendation of such revisions as it deems appropriate to improve the corporate governance of the Company, the Board or any committee of the Board; and
- o Identification of individuals qualified to become Board members and recommendation of (i) candidates to fill newly created director positions or Board vacancies, (ii) whether incumbent directors should be nominated for re-election to the Board upon the expiration of their terms, and (iii) directors to serve on committees of the Board.

In considering possible candidates for election as a director, the Audit Committee is guided by the principles that each director should be an individual of high character and integrity and have:

- o Independence;
- o Wisdom;
- o Integrity;
- o An understanding and general acceptance of our corporate philosophies;
- o A valid business or professional knowledge and experience that can bear on our challenges and deliberations and those of our Board of Directors;
- o A proven record of accomplishment with an excellent organization;
- o An inquiring mind;
- o A willingness to speak one's mind;
- o An ability to challenge and stimulate management;
- o A willingness to commit time and energy to our business affairs; and
- o International and global experience.

Edgar Filing: AMS HEALTH SCIENCES INC - Form DEF 14A

Qualified candidates for membership as a director will be considered without regard to race, color, religion, gender, ancestry, national origin or disability. The Audit Committee will review the qualifications and background of directors and nominees to become directors, without regard to whether a nominee has been recommended by shareholders. The Audit Committee does not have a charter specific to nominations of directors. A copy of the resolution setting forth our nomination process may be obtained by writing AMS Health Sciences, Inc., 711 NE 39th Street, Oklahoma City, OK 73105, Attn: Corporate Secretary.

If the Committee receives recommendations for nominees to our Board of Directors from a stockholder or group of stockholders that beneficially own more than 5% of our voting stock, not less than 120 days prior to the date of our proxy statement for the previous year's annual meeting, we will include the name of the recommended nominee, the security holder or holders that recommended such nominee and disclose whether the Committee chose to nominate the candidate for election to our Board of Directors in our proxy statement related to that meeting. Nominations must include the full name of the proposed nominee, a brief description of the proposed nominee's business experience for at least the previous five years, and a representation that the nominating shareholder is the beneficial record owner of our common stock. Such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director, if elected. Nominations should be delivered to the Audit Committee at the following address: The AMS Health Sciences, Inc. Audit Committee, c/o Stephen E. Jones, AMS Health Sciences, Inc., 711 NE 39th Street, Oklahoma City, Oklahoma 73105.

In addition to considering possible candidates for election as directors, the Audit Committee may, in its discretion, review the qualifications and backgrounds of existing directors and other nominees (without regard to whether a nominee has been recommended by shareholders), as well as the overall composition of our Board of Directors, and recommend the slate of directors to be nominated for election at the ensuing annual meeting of shareholders. Currently, we do not employ or pay a fee to any third party to identify or evaluate, or assist in identifying or evaluating, potential director nominees.

In addition, the Audit Committee will evaluate our corporate governance effectiveness and recommend such revisions as it deems appropriate to improve our corporate governance. The areas of evaluation may include such matters as the size and independence requirements of our Board of Directors, Board committees, management success and planning, and regular meetings of our non-management directors without management in executive sessions.

Compensation Committee. Members: M. Thomas Buxton III and Stephen E. Jones.

The members of the Compensation Committee are independent directors, but are eligible to participate in any of the plans or programs that the Compensation Committee administers. The Compensation Committee approves the standards for setting salary ranges for our executive officers, reviews and approves the salary budgets for all other of our officers, and specifically reviews and approves the compensation of our senior executives. The Compensation Committee reviews action taken by management in accordance with the salary guidelines for executives and establishes the performance objectives for variable compensation for executives. The Compensation Committee also administers our stock option plans and approves stock option grants for our executive officers. See the "Compensation Committee Report on Executive Compensation" included elsewhere herein. Mr. Haggard was a member of the Compensation Committee until his resignation from the Board of Directors, effective January 4, 2006. Mr. Jones replaced Mr. Haggard on the Compensation Committee effective March 10, 2006. During 2004, the Compensation Committee met once and Messrs. Buxton and Haggard attended the meeting.

Edgar Filing: AMS HEALTH SCIENCES INC - Form DEF 14A

Communications with the Board

You can contact any member of our Board of Directors by writing to him or her at the same address provided above for delivery of director nominations. Our shareholders, our employees and any others who wish to contact any non-management member of our Board of Directors or any member of our Audit Committee to report complaints or concerns with respect to accounting, internal accounting, controls or auditing matters, may do so by using the above address. Information explaining how our shareholders can contact our Board of Directors is available in the Contact Us section of our website at www.amsonline.com under the heading "Board of Directors."

Director Attendance at Annual Meeting

We do not have a policy requiring our Board members to attend the Annual Meeting; however, Mr. Grizzle and Ms. Jacob are required to attend the Annual Meeting due to their positions as our executive officers. Last year, three directors attended our Annual Meeting.

Code of Ethics

We have adopted the AMS Health Sciences Code of Ethics for our employees, officers and directors. Our Code of Ethics is publicly available on our website at www.amsonline.com. If we make any substantive amendments to our Code of Ethics or grant any waiver, including any implicit waiver, from a provision of this Code to our executive officers, we will disclose the nature of such amendment or waiver on our website.

Compensation of Directors

Directors who are not our employees receive \$500 for each Board or Committee meeting attended. Our Audit Committee chairman receives \$1,000 for each Audit Committee meeting attended, due to his designation as a financial expert. Directors who are also our employees receive no additional compensation for serving as directors. We reimburse our directors for travel and out-of-pocket expenses in connection with their attendance at meetings of the Board of Directors. Our Bylaws provide for mandatory indemnification of directors and officers to the fullest extent permitted by Oklahoma law.

Compensation Committee Interlocks and Insider Participation

At December 31, 2005, our Compensation Committee consisted of Messrs. Buxton and Haggard. No member of the Compensation Committee was one of our officers or employees, an officer or employee of any of our subsidiaries or engaged in a related party transaction with us, during 2005. John W. Hail, our former Chairman of the Board and Chief Executive Officer, serves on the Board of Directors of Pre-Paid Legal Services, Inc. Harland Stonecipher, the Chairman of the Board and Chief Executive officer of Pre-Paid Legal Services, Inc. served on our Board of Directors until his resignation, effective December 9, 2005.

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

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RE-ELECTION OF STEVEN M. DICKEY AND ROBIN L. JACOB TO THE BOARD OF DIRECTORS. PROXIES SOLICITED BY OUR BOARD OF DIRECTORS WILL BE SO VOTED UNLESS SHAREHOLDERS SPECIFY A CONTRARY CHOICE.

Edgar Filing: AMS HEALTH SCIENCES INC - Form DEF 14A

PROPOSAL 2

APPROVAL OF AMS HEALTH SCIENCES, INC. 2006 LONG-TERM INCENTIVE PLAN

Subject to approval by the Company's stockholders, our Board of Directors has approved the AMS Health Sciences, Inc. 2006 Long-Term Incentive Plan, which we refer to in this document as the "Plan." A copy of the Plan is attached hereto as Appendix A.

The Plan authorizes the Compensation Committee of our Board of Directors to grant nonqualified and incentive stock options, restricted stock awards, stock appreciation rights and performance units to selected employees. The Plan also authorizes the grant of nonqualified stock options, restricted stock awards, stock appreciation rights and performance units to non-employee Directors. A total of 5,000,000 shares of common stock have been authorized for award under the Plan. Grants will be awarded under the Plan at the discretion of the Committee. As a result, we are unable to determine, at this time, the recipients, amounts or values of any future benefits to be received under the Plan.

In addition to the number of shares authorized for issuance under the Plan, the Company still has 150,000 shares of common stock available for issuance under its 2003 Stock Incentive Plan (the "2003 Plan").

Purpose

The purpose of the Plan is to create incentives designed to motivate selected employees to significantly contribute toward the growth and profitability of the Company. The shares under the Plan will enable the Company to attract and retain experienced employees who, by their positions, abilities and diligence, are able to make important contributions to the Company's success.

Key Limitations

Key limitations of the Plan include:

- o a prohibition against the repricing of stock options;
- o a prohibition against granting options or stock appreciation rights with an exercise price less than the fair market value of the Company's common stock on the date of grant;
- o of the 5,000,000 shares authorized for issuance under the Plan, only 1,000,000 may be granted as incentive stock options;
- o the Plan contains a readjustment provision in which shares granted as restricted stock awards or as stock appreciation rights or performance units settled in shares of common stock will be counted against this limit as 2.0 shares for each share granted;
- o a maximum ten-year life for any award made under the Plan;
- o the following award limits:
 - oo the maximum number of shares that may be awarded in the form of options or SARs to an employee in any calendar year is 500,000;

Edgar Filing: AMS HEALTH SCIENCES INC - Form DEF 14A

- oo the maximum number of shares that may be awarded in the form of restricted stock awards or performance units to an employee in any calendar year is 100,000.

Administration

The new long-term incentive plan consists of three separate stock plans:

- o Non-executive officer plan: this aspect of the plan is limited to participants who are not subject to Section 16 of the Securities Exchange Act of 1934 because they are not executive officers of the Company. The non-executive officer plan is administered by the Compensation Committee. However, the Compensation Committee may, to the extent permitted by law, delegate authority to the Special Award Committee to administer the non-executive officer plan. The Company's chief executive officer and other individuals appointed by the Compensation Committee will comprise the Special Award Committee. Although the Special Award Committee may be authorized to administer the non-executive officer plan, it can only make awards within guidelines set by the Compensation Committee.
- o Executive officer plan: this aspect of the plan is limited to participants who are executive officers of the Company and who, therefore, are subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934. The executive officer plan is administered exclusively by the Compensation Committee.

Except for administration and the category of participants eligible to receive awards, the terms of the non-executive officer plan and the executive officer plan are identical.

- o Non-employee director plan: this aspect of the plan is limited to non-employee directors of the Company and permits only grants of nonqualified stock options and restricted stock. The Company's Board of Directors is responsible for selection of non-employee directors for awards and for determination of the nature of the award. The Compensation Committee is responsible for the administration of awards granted to non-employee directors.

As used in the Proxy Statement, the term "Committee" shall mean the Special Award Committee if it refers to Plan administration affecting non-executive officer participants or the Compensation Committee if it refers to Plan administration affecting executive officer participants or non-employee director participants.

Eligibility for Participation

Any employee of the Company and its subsidiaries and affiliated entities and any non-employee Director is eligible to participate in the Plan. Subject to the provisions of the Plan, the Committee has exclusive power in selecting participants from among the eligible employees and the Board has the exclusive power to select participants from the non-employee Directors.

Types of Awards

The Plan provides that any or all of the following types of awards may be granted:

- o nonqualified stock options and stock options intended to qualify as "incentive stock options" under Section 422 of the Internal

Edgar Filing: AMS HEALTH SCIENCES INC - Form DEF 14A

Revenue Code;

- o restricted stock;
- o stock appreciation rights (SARs); and
- o performance units,

provided that non-employee Directors may not be awarded incentive stock options.

Stock Options. The Compensation Committee may grant awards under the Plan in the form of options to purchase shares of the Company's common stock. The Compensation Committee will have the authority to determine the terms and conditions of each option, the number of shares subject to the option, and the manner and time of the option's exercise. As of April 26, 2006, the market value of the common stock underlying the options available for issuance under the Plan was \$3,500,000.

The exercise price of an option may not be less than the fair market value of the Company's common stock on the date of grant. The fair market value of shares of common stock subject to options is determined by the closing price on the American Stock Exchange on the date the value is to be determined. As of April 26, 2006, the closing price of the Company's common stock as reported on the American Stock Exchange was \$0.70. The exercise price of an option may be paid in cash, in shares of the Company's common stock or a combination of both; provided that, the exercise price (including required withholding taxes) is paid using shares of the Company's common stock only to the extent such exercise would not result in a variable compensation expense to the Company for financial accounting purposes. The Compensation Committee may permit the exercise of stock options through a broker-dealer acting on a participant's behalf in accordance with procedures adopted by the Company to ensure that the arrangement will not constitute a personal loan to the participant. Unless sooner terminated, the stock options granted under the Plan expire ten years from the date of the grant.

Restricted Stock Awards. Shares of restricted stock awarded under the Plan will be subject to the terms, conditions, restrictions and/or limitations, if any, that the Compensation Committee deems appropriate, including restrictions on continued employment.

Each restricted stock award will require a minimum restriction period of three years, unless vesting is based upon specified performance goals and measures or the shares of restricted stock are issued in lieu of cash compensation.

Stock Appreciation Rights. A stock appreciation right permits the employee to receive an amount (in cash, common stock, or a combination thereof) equal to the number of stock appreciation rights exercised by the employee multiplied by the excess of the fair market value of common stock on the exercise date over the stock appreciation rights' exercise price. Stock appreciation rights may or may not be granted in connection with the grant of an option. The term of any stock appreciation rights granted under the Plan cannot exceed ten years from the date of the grant. The exercise price of stock appreciation rights granted under the Plan cannot be less than the fair market value of a share of common stock on a date the stock appreciation right is granted. A stock appreciation right may be exercised in whole or in such installments and at such times as determined by the Compensation Committee.

Performance Units. The Plan permits grants of performance units, which are rights to receive cash or common stock based upon the achievement of performance goals established by the Compensation Committee. Such awards are subject to the fulfillment of conditions that may be established by the Compensation Committee including, without limitation, the achievement of performance targets based upon

Edgar Filing: AMS HEALTH SCIENCES INC - Form DEF 14A

the factors described above relating to restricted stock awards.

Termination of Employment

If a participant's employment is terminated, all unvested awards will terminate unless the Compensation Committee accelerates vesting of the award. The Compensation Committee is not permitted to accelerate vesting of an award if it would result in an acceleration of the minimum vesting periods for restricted stock described above except in the case of death, disability or retirement. Vested options, stock appreciation rights and performance units must be exercised within three months of termination except in the case of death, disability or retirement. Incentive Stock Options will be exercisable for a period of one year following termination due to death or disability. Nonqualified stock options and stock appreciation rights will be exercisable for the remaining term of the awards if termination of employment is due to death, disability or retirement.

Eligible Directors will have the remaining term of the award following termination of service to exercise vested nonqualified stock options or stock appreciation rights. The unvested portion of any award will be forfeited upon an eligible Director's termination of service unless vesting is accelerated by the Compensation Committee.

Amending the Plan

The Company's Board of Directors may amend the Plan at any time. The Company's Board of Directors, may not, without stockholder approval, adopt any amendment that would increase the maximum number of shares that may be granted under the Plan (except for certain antidilution adjustments described in the "Automatic Adjustment Features" section of this document), materially modify the Plan's eligibility requirements or materially increase the benefits provided to participants under the Plan.

Change of Control Event

The unvested portion of any outstanding awards under the Plan will be accelerated upon a change of control event.

Plan Benefits

No awards will be made under the Plan until shareholder approval.

Future benefits under the Plan are not currently determinable. During fiscal 2005, stock options were granted under the 2003 Plan to the Company's named executive officers to purchase 150,000 shares at an exercise price of \$2.00 per share. The number of stock options granted to each named executive officer is set forth in the table captioned "Option Grants In Last Fiscal Year" on page 14 of this Proxy Statement. Stock options were granted under the 2003 Plan to all other employees of the Company as a group to purchase 85,500 shares of common stock at an average exercise price of \$2.03 per share. Stock options were granted to non-employee associates of the Company as a group to purchase 75,000 shares of common stock at an exercise price of \$1.81 per share.

Automatic Adjustment Features

The Plan provides for the automatic adjustment of the number and kind of shares available under it, and the number and kind of shares subject to outstanding awards in the event the Company's common stock is changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or another corporation, or if the number of shares of the Company's common stock is increased through a stock dividend. The Plan also provides that the Compensation Committee may adjust the number of shares

Edgar Filing: AMS HEALTH SCIENCES INC - Form DEF 14A

available under the Plan and the number of shares subject to any outstanding awards if, in the Compensation Committee's opinion, any other change in the number or kind of shares of the Company's outstanding common stock equitably requires such an adjustment.

U.S. Federal Tax Treatment

Incentive Stock Option Grant/Exercise. A participant who is granted an incentive stock option does not realize any taxable income at the time of the grant or at the time of exercise (except for alternative minimum tax). Similarly, the Company is not entitled to any deduction at the time of grant or at the time of exercise. If the participant makes no disposition of the shares acquired pursuant to an incentive stock option before the later of two years from the date of grant of such option or one year from the date of the exercise of such shares by the participant, any gain or loss realized on a subsequent disposition of the shares will be treated as a long-term capital gain or loss. Under such circumstances, the Company will not be entitled to any deduction for federal income tax purposes.

Nonqualified Stock Option and Stock Appreciation Right Grant/Exercise. A participant who is granted a nonqualified stock option or SAR does not have taxable income at the time of grant. Taxable income occurs at the time of exercise in an amount equal to the difference between the exercise price of the shares and the market value of the shares on the date of exercise. The Company is entitled to a corresponding deduction for the same amount.

Restricted Stock Award. A participant who has been granted an award in the form of restricted stock will not realize taxable income at the time of the grant, and the Company will not be entitled to a deduction at the time of the grant, assuming that the restrictions constitute a substantial risk of forfeiture for U.S. income tax purposes. When such restrictions lapse, the participant will receive taxable income (and have tax basis in the shares) in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. The Company will be entitled to a corresponding deduction. The participant may elect to include the value of his restricted stock award as income at the time it is granted under Section 83(b) of the Code, and the Company will take a corresponding income tax deduction at such time.

Performance Units. The federal income tax consequences of performance units will vary depending upon the individual structure of the award. Generally, the performance unit will be taxable upon payment.

The affirmative vote of the holders of a majority of the total combined voting power of the shares represented and entitled to vote at the meeting will be required to approve the adoption of the AMS Health Sciences, Inc. 2006 Long-Term Incentive Plan.

THE COMPANY'S BOARD HAS UNANIMOUSLY APPROVED THE ADOPTION OF THE AMS HEALTH SCIENCES, INC. 2006 LONG-TERM INCENTIVE PLAN AND UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE PROPOSAL TO APPROVE THE ADOPTION OF THE AMS HEALTH SCIENCES, INC. 2006 LONG-TERM INCENTIVE PLAN.

PROPOSAL 3

RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

The Board of Directors has selected Cole & Reed, P.C. as our independent auditors for the year ending December 31, 2006, and has further directed that management submit the selection of independent auditors for ratification by the stockholders at our Annual Meeting. Cole & Reed, P.C. audited our 2005 financial

Edgar Filing: AMS HEALTH SCIENCES INC - Form DEF 14A

statements. Representatives of Cole & Reed P.C. are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

As previously reported, on June 20, 2005, upon the recommendation of our Audit Committee and with the approval of our Board of Directors, we dismissed our principal accountant, Grant Thornton LLP, in order to institute certain cost saving measures. On the same date, we engaged Cole & Reed, P.C. as our principal accountant. At no time did any report by Grant Thornton LLP on our financial statements contain an adverse opinion or a disclaimer of opinion; nor was any such report qualified or modified as to uncertainty, audit scope or accounting principles. Also, at no time did we have any disagreements with Grant Thornton LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Grant Thornton LLP, would have caused Grant Thornton LLP to reference the subject matter of the disagreement in connection with their report on our financial statements.

We did not consult with Cole & Reed, P.C. during our two most recent fiscal years and any subsequent interim period prior to engaging Cole & Reed, P.C. regarding either (1) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, or (2) any matter that was either the subject of a disagreement or a reportable event, as those terms are defined in Item 304(a) of Regulation S-K.

Audit Fees

Audit fees billed to us during the last two fiscal years ended December 31, 2005 for audit or review of our annual financial statements and those financial statements included in our quarterly reports on Forms 10-Q, and services normally provided in connection with our regulatory filings, totaled \$123,361 for 2004 and \$55,815 for 2005, of which \$131,381 was billed by Grant Thornton LLP and \$47,795 was billed by Cole & Reed P.C.

Audit-Related Fees

Audit-related fees billed to us during the last two fiscal years ended December 31, 2005 for assurance and related services reasonable related to the audit or review of our financial statements, but not otherwise disclosed under the heading "Audit Fees" above, totaled \$4,170 for 2004 and \$28,193 for 2005, of which \$11,953 was billed by Grant Thornton LLP and \$20,410 was billed by Cole & Reed P.C. These fees related to the change of auditors from Grant Thornton LLP to Cole & Reed P.C. and the review of internal control documentation and preparation of management advisory comments.

Tax Fees

Tax fees billed to us during the last two fiscal years ended December 31, 2005 for tax compliance, tax advice or tax planning totaled \$21,365 for 2004 and \$1,660 for 2005, of which \$21,365 was billed by Grant Thornton LLP and \$1,660 was billed by Cole & Reed P.C. Services provided to us include filing corporate franchise and income tax returns.

All Other Fees

There were no fees billed to us during the last two fiscal years ended December 31, 2005 for any other non-audit services. The Audit Committee has determined that the provision of non-audit services by Cole & Reed P.C. did not impact the independence of Cole & Reed P.C.

Pursuant to pre-approval policies and procedures set forth in the existing

Edgar Filing: AMS HEALTH SCIENCES INC - Form DEF 14A

Audit Committee Charter, the Audit Committee approved 100% of the audit and audit-related services in 2004. The Audit Committee currently approves in advance all audit, non-audit and tax services to be performed for us by our independent accountants.

Stockholder ratification of the selection of Cole & Reed P.C. as our independent auditors is not required by Cole & Reed P.C., our Bylaws or otherwise. However, the Board is submitting the selection of Cole & Reed P.C. to our stockholders for ratification as a matter of corporate practice. If the stockholders fail to ratify the selection, the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Board in its discretion may direct the appointment of a different independent accounting firm at any time during the year if the Board determines that such a change would be in our best interests and the best interests of our stockholders.

The affirmative vote of the holders of a majority of the total combined voting power of the shares represented and entitled to vote at the meeting will be required to ratify the selection of Cole & Reed P.C. as our independent auditors for the fiscal year ending December 31, 2006.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RATIFICATION OF COLE & REED P.C. AS INDEPENDENT AUDITORS. PROXIES SOLICITED BY OUR BOARD OF DIRECTORS WILL BE SO VOTED UNLESS SHAREHOLDERS SPECIFY A CONTRARY CHOICE.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Summary Compensation Table

The following Summary Compensation Table sets forth certain information relating to compensation for services rendered during the years ended December 31, 2005, 2004 and 2003, paid to or accrued for John W. Hail, our former Chief Executive Officer, and each of our executive officers whose 2005 salary and bonus exceed \$100,000.

Name and Principal Position	Year	Annual Compensation		
		Salary	Bonus	Other
John W. Hail				