

Smith Arthur L
Form 4
October 30, 2006

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Smith Arthur L

2. Issuer Name and Ticker or Trading Symbol
ATSI COMMUNICATIONS INC/DE [ATSX]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
3201 CHERRY RIDGE, BUILDING C, SUITE 300

3. Date of Earliest Transaction (Month/Day/Year)
01/27/2005

Director 10% Owner
 Officer (give title below) Other (specify below)
President

(Street)
SAN ANTONIO, TX 78230

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) | | |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|-----|-------|
| | | | | (A) or (D) | Code | V | Amount | (D) | Price |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative | 2. Conversion | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if | 4. Transaction | 5. Number of Derivative Securities | 6. Date Exercisable and Expiration Date | 7. Title and Underlying |
|------------------------|---------------|--------------------------------------|-------------------------------|----------------|------------------------------------|---|-------------------------|
|------------------------|---------------|--------------------------------------|-------------------------------|----------------|------------------------------------|---|-------------------------|

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| Security (Instr. 3) | or Exercise Price of Derivative Security | any (Month/Day/Year) | Code (Instr. 8) | Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | (Month/Day/Year) | (Instr. 3 and 4) | | | |
|---------------------------------|--|----------------------|------------------|--|------------------|------------------|-----------------|--|-------|
| | | | Code V | (A) | (D) | Date Exercisable | Expiration Date | Title | A N S |
| Option to Purchase Common Stock | \$ 0.46 | 01/27/2005 | A ⁽¹⁾ | 420,000 | | 01/27/2005 | 01/27/2015 | Common Stock, \$.001 par value per share | 4 |
| Option to Purchase Common Stock | \$ 0.46 | 09/29/2005 | D ⁽²⁾ | | 420,000 | 01/27/2005 | 01/27/2015 | Common Stock, \$.001 par value per share | 4 |
| Option to Purchase Common Stock | \$ 0.16 | 09/29/2005 | A ⁽³⁾ | 945,000 | | ⁽⁴⁾ | 09/29/2015 | Common Stock, \$.001 par value per share | 9 |
| Option to Purchase Common Stock | \$ 0.21 | 09/26/2006 | A ⁽³⁾ | 300,000 | | ⁽⁴⁾ | 09/26/2016 | Common Stock, \$.001 par value per share | 3 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|-----------|-------|
| | Director | 10% Owner | Officer | Other |
| Smith Arthur L 3201 CHERRY RIDGE BUILDING C, SUITE 300 SAN ANTONIO, TX 78230 | X | | President | |

Signatures

Arthur L Smith 10/30/2006
 **Signature of Date
 Reporting Person

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Grant Pursuant to 2004 Stock Plan
- (2) Forfeitted to Issuer

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(3) Grant Pursuant to 2005 Incentive Compensation Plan

(4) Exercisable 33% on date of grant, 33% vested after one year from the date of grant, and 33% vested after two years from the date of grant.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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