

TRI-S SECURITY CORP  
Form S-1  
February 02, 2006

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 1, 2006

REGISTRATION NO. 333-

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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## FORM S-1

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

## TRI-S SECURITY CORPORATION

(Exact name of registrant as specified in its charter)

**Georgia**  
(State or other jurisdiction of  
incorporation or organization)

**7381**  
(Primary Standard Industrial  
Classification Code Number)

**30-0016962**  
(I.R.S. Employer  
Identification Number)

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Tri-S Security Corporation

Royal Centre One

11675 Great Oaks Way, Suite 120

Alpharetta, Georgia 30022

(678) 808-1540

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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Ronald G. Farrell

Chairman of the Board

and Chief Executive Officer

Royal Centre One

11675 Great Oaks Way, Suite 120

Alpharetta, Georgia 30022

(678) 808-1540

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement as determined by market conditions.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.  x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  o

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.  o

## Calculation of Registration Fee

Title of Each Class of Securities to Be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, par value \$.001 per share	2,930,184 shares	\$ 4.08	\$11,955,150.72	\$1,279.20

(1) This registration statement also covers an indeterminate number of shares of the registrant's common stock that may be issuable by reason of stock splits, stock dividends or other adjustments under certain conditions in accordance with Rule 416 of the Securities Act of 1933, as amended.

(2) Estimated solely for the purposes of calculating the registration fee pursuant to Section 6(b) of the Securities Act of 1933, as amended, and computed pursuant to Rule 457(c) promulgated under the Securities Act of 1933, as amended, based upon the average of the high and low prices of the registrant's common stock on January 31, 2006, on The Nasdaq SmallCap Market.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THE SELLING SHAREHOLDERS MAY NOT SELL THESE SECURITIES OFFERED HEREBY UNTIL THE REGISTRATION STATEMENT TRI-S SECURITY CORPORATION FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES, AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES, IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.**

**PROSPECTUS (Subject to Completion)**

Issued February 1, 2006

**2,930,184 SHARES**

**TRI-S SECURITY CORPORATION**

**COMMON STOCK**

This prospectus covers the sale of up to 2,930,184 shares of common stock of Tri-S Security Corporation ( Tri-S , the Company or we ) by the selling shareholders identified in this prospectus under Selling Shareholders. We will not receive any proceeds from the sale of the shares by any selling shareholder. We agreed to bear all expenses of registration of the common stock offered hereby under Federal and state securities laws.

Our common stock is listed on The Nasdaq SmallCap Market under the symbol TRIS. The last reported sale price of the common stock as reported on The Nasdaq SmallCap Market on January 30, 2006 was \$4.15 per share.

The selling shareholders, directly or through agents, brokers or dealers designated from time to time, may sell the shares of common stock offered hereby from time to time on terms to be determined at the time of sale. See Plan of Distribution.

See **Risk Factors** beginning on page 7 for certain factors relating to an investment in the shares of common stock offered hereby.

**Neither the Securities and Exchange Commission nor any other state securities commission has approved or disapproved of the common stock offered hereby or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus is [ ], 2006.

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## PROSPECTUS SUMMARY

*The following summary highlights information contained elsewhere in this prospectus and should be read in conjunction with, and is qualified in its entirety by, the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this prospectus. This summary may not contain all the information you should consider before purchasing the shares of common stock offered hereby. We urge you to read this entire prospectus carefully.*

### About Tri-S Security Corporation

Tri-S is an aggregator of elite guard services companies. Through our two direct, wholly-owned subsidiaries, Paragon Systems, Inc. ( Paragon Systems ), and The Cornwall Group, Inc. ( Cornwall ), we provide security services to government agencies and the private sector. Our services include uniformed guards, electronic monitoring systems, personnel protection, access control, crowd control and the prevention of sabotage, terrorist and criminal activities. Our government customers include local, state and Federal government agencies. Our private sector customers include commercial customers, such as universities, public school systems, corporate complexes and hospitals, and residential customers, such as condominiums, high-end apartments and high-security homes.

We strive to provide cost-effective solutions to ensure the safety and security of the assets and personnel of our customers and to continually improve the protection we provide for their personnel, programs, resources and facilities. Our goal is to provide demonstrably superior security services with the highest degree of integrity and responsiveness.

In addition to our core business of providing security services, we have a non-core business interest of providing logistics services. Through Paragon Systems, we own a 10% equity interest in Army Fleet Support, LLC ( Army Fleet Support or the joint venture ), which provides logistics support for U.S. Army aviation training at Fort Rucker, Alabama.

We were incorporated in Georgia in October 2001 under the name Diversified Security Corporation and changed our name to Tri-S Security Corporation in August 2004. We were formed for the purpose of acquiring and consolidating electronic and physical security companies in order to take advantage of the operating efficiencies created by a larger company. Our acquisition strategy involves the acquisition and integration of complementary businesses in order to increase our density within certain geographic areas, capture market share in the markets in which we operate and improve our profitability. We intend to pursue acquisition opportunities in the contract guard services and system integration services segments of the security industry. We frequently evaluate acquisition opportunities and, at any given time, may be in various stages of due diligence or preliminary discussions with respect to a number of potential acquisitions. From time to time, we may enter into non-binding letters of intent, but we are not currently subject to any definitive agreement with respect to any acquisition material to our operations or otherwise so far advanced in any discussions as to make an acquisition material to our operations reasonably certain.

We made our first acquisition on February 27, 2004, when we acquired all of the outstanding capital stock of Paragon Systems, a contract guard services and logistics provider, for a purchase price of approximately \$16,000,000 (the Paragon Acquisition ). See Business.

On February 8, 2005, pursuant to an Exchange and Recapitalization Agreement between Tri-S and all the holders of our common stock, Series A Convertible Preferred Stock and Series B Convertible Preferred Stock, and all holders of rights to acquire our common stock (the Exchange and Recapitalization Agreement ), we effected an exchange and recapitalization of our outstanding common stock, Series A Convertible Preferred Stock and Series B Convertible Preferred Stock and rights to acquire our common stock. Pursuant to the Exchange and Recapitalization Agreement, all of our outstanding

(i) common stock, Series A Convertible Preferred Stock and Series B Convertible Preferred Stock was exchanged for an aggregate of 1,200,000 shares of common stock and (ii) rights to acquire our common stock were exchanged for rights to purchase an aggregate of 113,269 shares of common stock (together, the Exchange and Recapitalization).

On February 9, 2005, we commenced an underwritten initial public offering of 1,800,000 units (plus an additional 270,000 units upon exercise of the underwriters' over-allotment option), with each unit consisting of one share of common stock and a warrant to purchase one share of common stock (referred to in this prospectus as a publicly-traded warrant), at an initial offering price per unit of \$6.00 (the Initial Public Offering). In connection with the Initial Public Offering, our units commenced trading on The Nasdaq SmallCap Stock Market under the symbol TRISU on February 9, 2005. The Initial Public Offering closed with respect to the initial 1,800,000 units on February 14, 2005 and with respect to the additional 270,000 units on March 17, 2005. The units separated and ceased trading as units on April 9, 2005, and the common stock and publicly-traded warrants commenced trading separately on The Nasdaq SmallCap Market on April 11, 2005 under the symbols TRIS and TRISW, respectively.

We made our second acquisition on October 18, 2005, when we acquired all of the outstanding capital stock of Cornwall, a provider of security and investigative services, including armed and unarmed uniform guards, video and alarm monitoring, alarm installation, and GPS monitoring, to government and private sector customers in the Miami, Florida area, for a total purchase price of \$13.5 million (the Cornwall Acquisition). See Recent Developments and Business.

Our principal executive offices are located at Royal Centre One, 11675 Great Oaks Way, Suite 120, Alpharetta, Georgia 30022. Our telephone number at that address is (678) 808-1540. In this prospectus, we, us and our refer to Tri-S Security Corporation and our wholly-owned subsidiaries, and not to the selling shareholders or to any other person.

### **The Offering and This Prospectus**

This prospectus covers the resale of up to 2,93,0184 shares of common stock by the selling shareholders identified in this prospectus under Selling Shareholders. We will not receive any proceeds from the resale of shares by any selling shareholder. See Use of Proceeds. We have agreed to bear all expenses of registration of the common stock offered by this prospectus.

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission (the SEC) utilizing a shelf registration process. Under the shelf registration process, the selling shareholders may, from time to time, sell the common stock described in this prospectus. We may prepare a prospectus supplement at any time to add, update or change the information contained in this prospectus. This prospectus does not contain all the information you can find in the registration statement or the exhibits filed with, or incorporated by reference into, the registration statement. Before making an investment decision with respect to the common stock, you should read this prospectus and any prospectus supplement together with the registration statement, the exhibits filed with, or incorporated by reference into, the registration statement, and the additional information described under Where You can Find More Information.

### **Risk Factors**

See Risk Factors beginning on page 7 for a discussion of certain factors that you should consider before you make any investment decision with respect to the common stock.

## Recent Developments

### *Private Placement*

In September and October 2005, we issued 10% Callable, Convertible Promissory Notes with an aggregate principal amount of \$8,015,000 (the Notes ) and warrants to purchase 834,890 shares of common stock (the Investor Warrants ) in a private placement financing (the Private Placement ). In connection with the Private Placement, we also issued warrants to purchase 250,468 shares of common stock to our placement agent and such agent's employees (the Broker Warrants ).

The Notes, Investor Warrants and Broker Warrants were issued without registration under the Securities Act of 1933, as amended (the Securities Act ), in reliance upon the exemption from registration set forth in Rule 506 of Regulation D promulgated pursuant to Section 4(2) of the Securities Act. We agreed to register the resale of the shares of common stock issuable upon conversion of the Notes and exercise of the Investor Warrants and Broker Warrants, and this prospectus forms a part of the registration statement we have filed with the SEC to register such shares, among others. See Recent Developments Private Placement.

### *Entry into Credit Agreement*

On October 18, 2005, we entered into a Credit Agreement with LSQ Funding Group, L.C. ( LSQ ) and BRE LLC, our primary lenders ( BRE and, together with LSQ, the Lenders ), which we amended on December 31, 2005 (as so amended, the Credit Agreement ), pursuant to which we borrowed \$1,650,000 under a term loan with a maturity date of October 1, 2007 and \$3,500,000 under a term loan with a maturity date of October 1, 2009 (referred to in this prospectus as the term loans ). Also pursuant to the Credit Agreement, we entered into a Factoring and Security Agreement with the Lenders, under which the Lenders will purchase from us from time to time certain accounts receivable at a discount and provide us with a professional accounts receivable management service for a funds usage fee on the funds advanced on the outstanding accounts receivable purchased (referred to in this prospectus as the factoring facility ). The factoring facility has a \$12,000,000 initial purchase limit and a four-year term which will automatically renew unless we provide notice of our intent to terminate. Our obligations, indebtedness and liabilities to the Lenders, whether currently existing or subsequently arising, are secured by a lien on substantially all our assets and a lien on all of the outstanding capital stock of Paragon Systems. The lien on the capital stock of Paragon Systems is subject to the prior interest of the former shareholders of Paragon Systems, to whom we have pledged 40% of the outstanding capital stock of Paragon Systems to secure our payment obligations with respect to the Series C Redeemable Preferred Stock.

Pursuant to the Credit Agreement, we must pay the Lenders a fee in the amount of \$250,000 no later than April 18, 2006. We may satisfy our obligation to pay the fee to the Lenders by delivering to the Lenders warrants to purchase 175,000 shares of common stock, subject to customary anti-dilution adjustments (the Lender Warrants ). We agreed to register the resale of the shares of common stock issuable upon exercise of the Lender Warrants, and this prospectus forms a part of the registration statement we have filed with the SEC to register such shares, among others. See Recent Developments Entry into Credit Agreement.

### *Acquisition of The Cornwall Group, Inc.*

On October 18, 2005, we acquired all of the outstanding capital stock of Cornwall from its shareholders, for a purchase price of \$13,500,000. Cornwall, through its subsidiaries, is engaged in the business of providing a full range of security and investigative services, including armed and unarmed uniform guards, video and alarm monitoring, alarm installation, and GPS monitoring, to governmental and

private sector customers in the Miami, Florida area. See Recent Developments Acquisition of The Cornwall, Group, Inc.

### Summary Historical and Pro Forma Financial Information

The following table sets forth our summary historical and unaudited pro forma consolidated financial information for the periods ended and the dates indicated. We derived the summary historical and unaudited pro forma consolidated financial information from our audited financial statements and from information included elsewhere in this prospectus.

The accompanying historical and pro forma financial table presents the (i) historical financial information of Paragon Systems as the Predecessor Company for periods prior to the Paragon Acquisition and the financial information of Tri-S as the Successor Company for periods prior to the Paragon Acquisition and consolidated with Paragon Systems for the nine months ended September 30, 2004, the year ended December 31, 2004 and the nine months ended September 30, 2005; and (ii) the pro forma information for Tri-S consolidated with Cornwall for the year ended December 31, 2004 and the nine months ended September 30, 2005. The pro forma information is derived from the audited and unaudited financial statements of Tri-S and Cornwall and is determined by (a) the mathematical combination of the results of operations for Tri-S and Cornwall for the relevant periods; and (b) the financing transactions and purchase accounting adjustments related to the Cornwall Acquisition.

The Predecessor Company was formerly a subchapter S corporation; consequently, pro forma tax and pro forma income per share are presented for the periods presented as the Predecessor Company. The necessary adjustments include only taxes at a statutory rate of 38% for each period presented. The pro forma income per share calculation of the Predecessor Company operations is based on the weighted average number of common shares outstanding of Tri-S, which acquired the Predecessor Company in February 2004.

Tri-S was incorporated during the fourth quarter of 2001. For purposes of calculating the weighted average shares outstanding for the pro forma income per share calculation for the year ended December 31, 2001 and prior years, we assumed that Tri-S was incorporated on January 1, 1999. Pro forma income per share information also includes the effects of the Exchange and Recapitalization discussed elsewhere in this prospectus.

The following summary historical and unaudited pro forma consolidated financial information should be read in conjunction with Selected Consolidated Historical Financial and Operating Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, Unaudited Pro Forma Condensed Financial Statements and our historical consolidated financial statements and notes thereto appearing elsewhere in this prospectus.



Tri-S Security Corporation Summary Historical and Pro Forma Financial Information

Predecessor Basis  
Paragon Systems, Inc.

	Year Ended December 31, 1999	Year Ended December 31, 2000	Year Ended December 31, 2001	Year Ended December 31, 2002	Year Ended December 31, 2003	Jan. 1, 2004 to Feb. 27, 2004
<b>Statement of Operations</b>						
<b>Data:</b>						
Revenues	\$ 5,691	\$ 7,698	\$ 16,491	\$ 21,364	\$ 29,395	\$ 4,705
Direct labor	2,023	3,076	9,092	11,983	16,070	2,481
% of revenues	35.55 %	39.96 %	55.13 %	56.09 %	54.67	