

TRI-S SECURITY CORP  
Form 10-Q/A  
December 23, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**Amendment No. 2**

**on**

**FORM 10-Q/A**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2009**

**.. TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 0-51148**

**TRI-S SECURITY CORPORATION**

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(Exact name of registrant as specified in its charter)

**GEORGIA**  
(State or other jurisdiction of

**30-0016962**  
(I.R.S. Employer

incorporation or organization)

Identification No.)

**11675 Great Oaks Way, Suite 120, Alpharetta, Georgia 30022**

(Address of principal executive offices)

**(678) 808-1540**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes  No

Shares of the registrant's common stock, par value \$0.001 per share, outstanding as of August 5, 2009: 4,203,280.

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**EXPLANATORY NOTE**

This Amendment No. 2 on Form 10-Q/A (this Amended Report ) amends the Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 (the Original Report ) of Tri-S Security Corporation (the Company ). The Audit Committee of the Company s Board of Directors determined that the Company s consolidated financial statements included in the Original Report and in the Company s Quarterly Reports on Form 10-Q for the quarter ended June 30, 2009, should be restated because they contain errors as addressed in Financial Accounting Standards Board Statement of Financial Accounting Standards No. 154, *Accounting Changes and Error Corrections*. The errors in the Company s consolidated financial statements included in the Original Report relate to an incorrect accrual for paid time off for the quarter ended June 30, 2009. As a result of this incorrect accrual, indirect labor expense, cost of revenues and net loss were understated, and gross profit was overstated, in the Original Report. The Company does not expect any negative impact to its liquidity position as a result of this error.

The restated consolidated financial statements for the quarter ended June 30, 2009, included in this Amendment (the Restatement ) report: (i) indirect labor expense of \$11,162,000 as opposed to indirect labor expense of \$10,528,000 as reported in the Original Report; (ii) cost of revenues of \$32,408,000 as opposed to cost of revenues of \$31,774,000 as reported in the Original Report; and (iii) gross profit of \$1,290,000 as opposed to gross profit of \$1,924,000 as reported in the Original Report; and (iv) net loss of \$2,819,000 as opposed to net loss of \$2,185,000 as reported in the Original Report.

The restated consolidated financial statements for the six months ended June 30, 2008, included in this Amendment (the Restatement ) report: (i) indirect labor expense of \$21,633,000 as opposed to indirect labor expense of \$20,457,000 as reported in the Original Report; (ii) cost of revenues of \$61,375,000 as opposed to cost of revenues of \$60,199,000 as reported in the Original Report; and (iii) gross profit of \$1,645,000 as opposed to gross profit of \$2,821,000 as reported in the Original Report; and (iv) net loss of \$6,580,000 as opposed to net loss of \$5,404,000 as reported in the Original Report.

This Amendment amends and restates Items 1, 2 and 4T of Part I and Item 6 of Part II of the Original Report to the extent necessary to reflect the effects of the Restatement. Except for such amendments, this Amendment continues to describe conditions as of the date of the Original Report, and the Company has not modified or updated other disclosures presented in the Original Report affected by subsequent events. Accordingly, this Amendment should be read in conjunction with the Original Report and the Company s filings made with the Securities and Exchange Commission subsequent to the filing of the Original Report.

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**Table of Contents****Tri-S Security Corporation and Subsidiaries****Consolidated Balance Sheets****(In thousands, except per share data)**

<b>Assets</b>	<b>June 30, 2009 as previously reported</b>	<b>Adjustment</b>	<b>June 30, 2009, as restated (See Note 3)</b>	<b>Audited December 31, 2008</b>
<b>Current assets:</b>				
Cash and cash equivalents	\$		\$	\$ 1,246
Restricted cash	75		75	75
Trade accounts receivable, net	18,969		18,969	16,610
Escrow funds - sale of Cornwall	629		629	
Prepaid expenses and other assets	1,114		1,114	903
<b>Total current assets</b>	<b>20,787</b>		<b>20,787</b>	<b>18,834</b>
Property and equipment, less accumulated depreciation	572		572	611
Goodwill	7,747		7,747	9,825
Intangibles				
Customer contracts				1,028
Deferred loan costs	583		583	797
Other				665
<b>Total assets</b>	<b>\$ 29,689</b>	<b>\$</b>	<b>\$ 29,689</b>	<b>\$ 31,760</b>
<b>Liabilities and Stockholders Equity</b>				
<b>Current liabilities:</b>				
Bank overdraft	\$ 56	\$	\$ 56	\$
Trade accounts payable	2,658		2,658	1,885
Other accrued expenses	1,250		1,250	2,058
Accrued interest	1,379		1,379	534
Accrued salary and benefits	5,126	1,176	6,302	5,676
Income taxes payable	53		53	67
Asset based lending facility	22,453		22,453	19,641
10% convertible notes	900		900	1,025
Term loan	2,500		2,500	
<b>Total current liabilities</b>	<b>36,375</b>	<b>1,176</b>	<b>37,551</b>	<b>30,886</b>
<b>Other liabilities:</b>				
14% convertible notes	6,629		6,629	6,470
Term loan				2,500
Accrued interest expense - long term	240		240	277
Series D preferred stock subject to mandatory redemption	1,500		1,500	1,500
	8,369		8,369	10,747
<b>Total liabilities</b>	<b>44,744</b>	<b>1,176</b>	<b>45,920</b>	<b>41,633</b>

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Stockholders' equity:				
Common stock, \$0.001 par value, 25,000,000 shares authorized; 4,203,280 shares issued and outstanding at September 30, 2008 and December 31, 2007				
	4		4	4
Treasury stock	(105)		(105)	(105)
Additional paid-in capital	17,784		17,784	17,562
Retained deficit	(32,738)	(1,176)	(33,914)	(27,334)
Total stockholders' equity	(15,055)	(1,176)	(16,231)	(9,873)
Total liabilities and stockholders' equity	\$ 29,689	\$	\$ 29,689	\$ 31,760

See accompanying notes to financial statements

**Table of Contents****Tri-S Security Corporation and Subsidiaries****Consolidated Statements of Operations****Unaudited****(In thousands, except per share data)**

	Three Months Ended June 30,			Six Months Ended June 30,				
	2009, as previously reported	Adjustment	2009, as restated (See Note 3)	2008	2009, as previously reported	Adjustment	2009, as restated (See Note 3)	2008
Revenues	\$ 33,698		\$ 33,698	\$ 28,168	\$ 63,020		\$ 63,020	\$ 44,459
Cost of revenues:								
Direct labor	21,246		21,246	17,630	39,719		39,719	27,526
Indirect labor and other contract support costs	10,528	634	11,162	8,893	20,457	1,176	21,633	14,519
Amortization of customer contracts				66	23		23	133
	31,774	634	32,408	26,589	60,199	1,176	61,375	42,178
Gross profit	1,924	(634)	1,290	1,579	2,821	(1,176)	1,645	2,281
	5.7%		3.8%	5.6%	4.5%		2.6%	5.1%
Selling, general and administrative	2,013		2,013	1,596	4,056		4,056	3,286
Amortization of intangible assets	112		112	157	230		230	320
	2,125		2,125	1,753	4,286		4,286	3,606
Operating income (loss)	(201)	(634)	(835)	(174)	(1,465)	(1,176)	(2,641)	