

TRI-S SECURITY CORP  
Form DEF 14A  
October 12, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. \_\_)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential for Use of Commission Only** (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

**Tri-S Security Corporation**

(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(1) Amount previously paid:

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

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**TRI-S SECURITY CORPORATION**

**Royal Centre One**

**11675 Great Oaks Way, Suite 120**

**Alpharetta, Georgia 30022**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held On November 8, 2007**

To the Shareholders of Tri-S Security Corporation:

Notice is hereby given that the Annual Meeting of Shareholders (together with any adjournments or postponements thereof, the Meeting ) of Tri-S Security Corporation, a Georgia corporation (the Company ), will be held at 10:00 a.m., local time, on Thursday, November 8, 2007, at the Company s corporate offices, located at Royal Centre One, 11675 Great Oaks Way, Suite 120, Alpharetta, Georgia 30022, for the purpose of considering and voting upon the following matters:

- (1) to elect one Class II director for a three-year term of office;
- (2) to ratify the appointment of Tauber & Balsler, P.C. as the independent registered public accountants of the Company for the year ending December 31, 2007; and
- (3) to transact such other business as may properly come before the Meeting.

These items are more fully described in the accompanying Proxy Statement, which is hereby made a part of this Notice of Annual Meeting of Shareholders. The Board of Directors of the Company has fixed the close of business on October 10, 2007, as the record date (the Record Date ) for the determination of shareholders entitled to notice of, and to vote at, the Meeting. Only those shareholders of record as of the close of business on the Record Date are entitled to notice of, and to vote at, the Meeting.

A copy of the Company s Annual Report on Form 10-K for the year ended December 31, 2006 and Amendment No. 1 thereto on Form 10-K/A (as so amended, the Annual Report ) is enclosed. The Annual Report is not a part of the proxy soliciting material enclosed with this Notice.

By Order of the Board of Directors,

Ronald G. Farrell

*Chairman of the Board*

Atlanta, Georgia

October 11, 2007

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE IN ORDER TO ENSURE YOUR REPRESENTATION AT THE MEETING. A RETURN ENVELOPE (WHICH IS POSTAGE-PREPAID IF MAILED IN THE UNITED STATES) IS ENCLOSED FOR THAT PURPOSE. EVEN IF YOU HAVE GIVEN YOUR PROXY, YOU MAY REVOKE OR CHANGE YOUR PROXY FOR ANY REASON AT ANY TIME BEFORE THE VOTING BY DELIVERING TO THE COMPANY A WRITTEN NOTICE OF REVOCATION OR A DULY EXECUTED PROXY BEARING A LATER DATE OR BY ATTENDING THE MEETING AND VOTING IN PERSON. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE

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MEETING, THEN YOU MUST BRING TO THE MEETING A LETTER FROM THE BROKER, BANK OR OTHER NOMINEE CONFIRMING YOUR BENEFICIAL OWNERSHIP OF THE SHARES. ADDITIONALLY, IN ORDER TO VOTE AT THE MEETING, YOU MUST OBTAIN FROM THE RECORD HOLDER A PROXY ISSUED IN YOUR NAME.

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**PROXY STATEMENT**  
**ANNUAL MEETING OF SHAREHOLDERS OF**  
**TRI-S SECURITY CORPORATION**

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**INFORMATION CONCERNING SOLICITATION AND VOTING**

**General**

This Proxy Statement (the "Proxy Statement") and the accompanying form of proxy are being furnished to the shareholders of Tri-S Security Corporation, a Georgia corporation (the "Company"), in connection with the solicitation of proxies by and on behalf of the Board of Directors of the Company (the "Board") from holders of the Company's outstanding common stock, \$0.001 par value per share (the "Common Stock"), for use at the Annual Meeting of Shareholders of the Company (together with any adjournments or postponements thereof, the "Meeting") to be held at 10:00 a.m., local time, on Thursday, November 8, 2007, at the Company's corporate offices, located at Royal Centre One, 11675 Great Oaks Way, Suite 120, Alpharetta, Georgia 30022. This Proxy Statement, the accompanying form of proxy and the Company's Annual Report on Form 10-K for the year ended December 31, 2006 and Amendment No. 1 thereto on Form 10-K/A (as so amended, the "Annual Report") are expected to be mailed to shareholders of record of the Company on or about October 18, 2007.

**Solicitation of Proxies**

The Company will bear the costs of printing and mailing this Proxy Statement, as well as all other costs incurred on behalf of the Board in connection with its solicitation of proxies from the Company's shareholders. Directors, officers and employees of the Company and its subsidiaries may solicit proxies by mail, personal interview, telephone or other means without additional compensation therefor. Arrangements also will be made with brokerage houses, voting trustees, banks, associations and other custodians, nominees and fiduciaries, who are record holders of the Common Stock not beneficially owned by them, for forwarding such solicitation materials to, and obtaining proxies from, the beneficial owners of such Common Stock entitled to vote at the Meeting. The Company will reimburse these persons for their reasonable expenses incurred in doing so.

**Voting Rights and Outstanding Shares**

Only shareholders of record as of the close of business on October 10, 2007 (the "Record Date") are entitled to notice of, and to vote at, the Meeting. As of the Record Date, there were 4,203,280 shares of Common Stock outstanding and entitled to vote at the Meeting, held by approximately 18 holders of record. On each proposal considered at the Meeting, each shareholder of Common Stock is entitled to cast one vote per common share held as of the Record Date.

**Quorum and Vote Required**

A quorum of the Company's shareholders is necessary to transact business at the Meeting. The presence at the Meeting, in person or by proxy, of shares of Common Stock representing a majority of the shares of Common Stock outstanding and entitled to vote as of the Record Date will constitute a quorum for transacting business at the Meeting. Abstentions and broker non-votes, discussed below, count as present for establishing a quorum.

Provided a quorum is present at the Meeting, (i) directors will be elected by a plurality of the votes cast, meaning that the Class II nominee receiving the most votes will be elected as a Class II director; and (ii) each other proposal will be approved if the votes cast favoring such proposal exceeds the votes cast opposing such proposal. If a quorum is not present at the Meeting, then it is expected that the Meeting will be adjourned or postponed to solicit additional proxies.



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All votes will be tabulated by the inspector of elections appointed for the Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Abstentions will be counted for purposes of determining both the presence or absence of a quorum for the transaction of business and the total number of votes cast with respect to a particular matter. Broker non-votes will be counted for purposes of determining the presence or absence of a quorum for the transaction of business but will not be counted for purposes of determining the votes cast as to any particular proposal on which the broker has expressly not voted. Broker non-votes are proxies from brokers or nominees indicating that those persons have not received instructions from the beneficial owners as to certain proposals on which the beneficial owners are entitled to vote their shares but with respect to which the brokers or nominees have no discretionary voting power to vote without instructions. With respect to the proposal to elect a Class II director, abstentions, broker non-votes and instructions to withhold authority to vote for the nominee will result in the nominee receiving fewer votes. With respect to all other proposals presented at the Meeting, abstentions and broker non-votes will have no effect on such proposals.

## **Revocability of Proxies**

The shares of Common Stock represented by proxy will be voted as instructed if received in time for the Meeting. If no instructions are indicated, then such shares will be voted in favor of **(FOR)** (i) the election of the Class II director nominee specified herein; (ii) the ratification of the appointment of Tauber & Balser, P.C. ( Tauber & Balser ) as the independent registered public accountants of the Company for the year ending December 31, 2007; and (iii) in the discretion of the proxy holder, any other matter that may properly come before the Meeting. Any person signing and mailing a proxy solicited by this Proxy Statement may, nevertheless, revoke it at any time before it is exercised by sending to the Corporate Secretary of the Company a written revocation notice or a new, duly executed proxy bearing a later date or by attending in person and voting at the Meeting. Attendance at the Meeting, however, will not itself constitute the revocation of such a proxy.

## **Voting Agreement**

On September 13, 2007, the former shareholders of Paragon Systems, Inc., a wholly-owned subsidiary of the Company, granted to Ronald G. Farrell, the Company's Chief Executive Officer, an irrevocable proxy (the Voting Agreement ) to vote, in his sole and absolute discretion, an aggregate of 700,000 shares of Common Stock held by them until such time as such shares are sold by them to an unaffiliated third-party in accordance with the terms of the Securities Act of 1933, as amended (the Securities Act ). As a result of the irrevocable proxy granted to Mr. Farrell pursuant to the Voting Agreement and the other shares of Common Stock beneficially owned by Mr. Farrell, Mr. Farrell directs the voting of 1,548,750 shares of Common Stock or approximately 36.8% of the shares of Common Stock outstanding as of the Record Date and entitled to vote at the Meeting. Mr. Farrell has indicated to the Company that he intends to vote all such shares in favor of **(FOR)** (i) the election of the Class II director nominee specified herein; (ii) the ratification of the appointment of Tauber & Balser as the independent registered public accountants of the Company for the year ending December 31, 2007; and (iii) in the sole and absolute discretion of Mr. Farrell, any other matter that may properly come before the Meeting.

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**CORPORATE GOVERNANCE AND BOARD MATTERS**

**Board of Directors**

The business affairs of the Company are managed under the direction of the Board in accordance with the Georgia Business Corporation Code, as implemented by the Company's Articles of Incorporation and Bylaws. The role of the Board is to effectively govern the affairs of the Company for the benefit of its shareholders and other constituencies. The Board strives to ensure the success and continuity of business through the election of qualified management. It is also responsible for ensuring that the Company's activities are conducted in a responsible and ethical manner. The Company is committed to having sound corporate governance principles.

The Company has a classified Board currently consisting of one Class I director (James M. Logsdon), one Class II director (James A. Verbrugge) and two Class III directors (Lee K. Toole and Ronald G. Farrell). The Class II director currently serves until the Meeting, and the Class I and Class III directors currently serve until the Company's annual meetings of shareholders to be held in 2009 and 2008, respectively. After the Meeting, the Class I, Class II and Class III directors will serve until the Company's annual meetings of shareholders to be held in 2009, 2010 and 2008, respectively, and until their respective successors are duly elected and qualified or until their earlier retirement, resignation, death or removal.

At each of the Company's annual meeting of shareholders, directors are duly elected for a full term of three years to succeed those whose terms are expiring. Vacancies on the Board and newly-created directorships can generally be filled by a vote of a majority of the directors then in office.

**Director Independence**

The Board has determined that three of the four members of the Board Messrs. Logsdon and Toole and Dr. Verbrugge are independent as defined for purposes of the rules of the Securities and Exchange Commission ( SEC ) and the listing standards of The Nasdaq Stock Market LLC (the Nasdaq ). For a director to be considered independent, the Board must determine that the director does not have a relationship with the Company that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making this determination, the Board considers all relevant facts and circumstances, including any transaction or relationship between the director and the Company or its subsidiaries.

**Board Committees**

The Board has established a compensation committee (the Compensation Committee ) and an audit committee (the Audit Committee ). The Audit Committee has been established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act ). The Board has not established a separate committee of its members to nominate candidates for election as directors.

The Compensation Committee is comprised of three directors, Messrs. Logsdon and Toole and Dr. Verbrugge, with Mr. Toole serving as the chairperson. None of the members of the Compensation Committee is a current or former employee of the Company or any of its subsidiaries. The primary duties of the Compensation Committee are to oversee, establish and administer the Company's executive compensation program; administer the Company's 2004 Stock Incentive Plan, as amended and restated (the Incentive Plan ); evaluate the performance of the Company's executive officers; and approve all compensation decisions for such officers. The Compensation Committee operates under a written charter adopted by the Board effective as of October 13, 2004. Additional information regarding the Compensation Committee's process and procedures for consideration of executive compensation is provided in the section of this Proxy Statement titled Compensation of Executive Officers Compensation Discussion and Analysis.

The Audit Committee is comprised of three directors, Messrs. Logsdon and Toole and Dr. Verbrugge, with Dr. Verbrugge serving as the chairman. None of the members of the Audit Committee is a current or former

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employee of the Company or any of its subsidiaries. The Audit Committee represents the Board in discharging its responsibility relating to the accounting, reporting and financial practices of the Company and its subsidiaries. Its primary duties include monitoring the integrity of the Company's financial statements and system of internal controls and the Company's compliance with regulatory and legal requirements; monitoring the independence, qualifications and performance of the Company's independent registered public accountants and internal auditing services; and providing an avenue of communication among the independent registered public accountants, management, internal audit and the Board. The Audit Committee operates under a written charter adopted by the Board effective as of October 13, 2004, a copy of which was set forth as *Appendix A* to the Company's proxy statement for its 2006 Annual Meeting of Shareholders. Additional information regarding the Audit Committee's activities is provided in the section of this Proxy Statement titled "Audit Committee Report."

The Board has determined that the Audit Committee's chairperson, Dr. Verbrugge, is an "audit committee financial expert," as such term is defined in Item 407(d) of Regulation S-K. Dr. Verbrugge meets the independence requirements of Rule 4200(a)(15) of the Nasdaq. Pursuant to the regulations of the SEC, a person who is determined to be an audit committee financial expert will not be deemed an expert for any purpose, including, without limitation, for purposes of Section 11 of the Securities Act, as a result of being designated or identified as an audit committee financial expert pursuant to Item 407(d) of Regulation S-K. Furthermore, the designation or identification of a person as an audit committee financial expert pursuant to Item 407(d) of Regulation S-K does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Audit Committee or the Board in the absence of such designation or identification. Moreover, the designation or identification of a person as an audit committee financial expert pursuant to Item 407(d) of Regulation S-K does not affect the duties, obligations or liability of any other member of the Audit Committee or the Board.

### **Attendance at Board and Committee Meetings**

The Board, the Compensation Committee and the Audit Committee each held four meetings during the year ended December 31, 2006. All directors attended at least 75% of the Board and committee meetings on which such director served during the year ended December 31, 2006. Although the Company has no formal policy with respect to Board members' attendance at the Company's annual meeting of shareholders, it is customary for all Board members to attend. All of the members of the Board attended the Company's 2006 Annual Meeting of Shareholders.

### **Compensation Committee Interlocks and Insider Participation**

None of the members of the Compensation Committee has ever been, at any time since the time of the Company's formation, one of the Company's officers or employees. None of the Company's executive officers currently serves or in the past has served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on the Board or the Compensation Committee.

### **Nominating Process for Directors**

The Company does not have a nominating committee and, accordingly, does not have a nominating committee charter. The Board has adopted resolutions which require that the independent directors on the Board, where independence is determined by the rules and regulations of the SEC and the Nasdaq (the "Independent Directors"), identify candidates for election to the Board and recommend to the full Board such candidates for nomination for election to the Board. Messrs. Logsdon and Toole and Dr. Verbrugge are the Independent Directors currently serving on the Board. The Board believes that establishing a separate nominating committee is not necessary because the Independent Directors perform substantially similar functions as a separately-designated nominating committee would perform.

The Independent Directors and the Board have not established any specific, minimum qualifications that must be met by a nominee identified by the Independent Directors and nominated by the Board. When seeking to

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identify an individual to become a director, the Independent Directors generally consider, among other factors, the background and reputation of potential candidates in terms of character, personal and professional integrity, business and financial experience and acumen, how a person would complement the other directors in providing a diversity of expertise and experience and a person's availability to devote sufficient time to Board duties. The director nominee for election as a Class II director at the Meeting was identified by the Independent Directors and nominated by the Board based on the foregoing factors, among other things.

Assuming the appropriate background material is provided for candidates submitted by shareholders, the process generally followed by the Independent Directors to identify and evaluate candidates described above will be used to evaluate candidates submitted by shareholders, and the Independent Directors will apply substantially the same criteria.

**Communications With Directors**

Shareholders may communicate with the Board or any individual director by sending a letter to the Company at Royal Centre One, 11675 Great Oaks Way, Suite 120, Alpharetta, Georgia 30022, addressed to the Board or any individual director. The Corporate Secretary of the Company will receive the correspondence and forward it to the Chairman of the Board or to any individual director or directors to whom the communication is directed. The Corporate Secretary of the Company is authorized to review, sort and summarize all communications received prior to their presentation to the Chairman of the Board or to whomever director(s) the communication is addressed. If such communications are not a proper matter for Board attention, such individuals are authorized to direct such communication to the appropriate department. For example, shareholder requests for materials or information will be directed to the appropriate investor relations personnel.

**Review, Approval or Ratification of Transactions with Related Persons**

It is an unwritten policy and practice of the Board, which is not otherwise evidenced, that all transactions which would be required to be reported pursuant to Item 404(a) of Regulation S-K must be reviewed and approved by the Audit Committee before the Company enters into any such transaction.

**Code of Ethics and Conduct**

The Board has adopted a Code of Ethics and Conduct that applies to all of the Company's employees, including the Company's Chief Executive Officer and Chief Financial Officer. The Company shall provide to any person without charge, upon request, a copy of the Code of Ethics and Conduct. Such requests should be directed to the Corporate Secretary of the Company at Royal Centre One, 11675 Great Oaks Way, Suite 120, Alpharetta, Georgia 30022.

**DIRECTOR COMPENSATION**

The Company compensates each member of the Board for his service on the Board at an annual rate of \$10,000 per year plus \$1,250 for each Board meeting and committee meeting attended by such member. The Company reimburses the Board members for reasonable expenses incurred by them in attending such meetings of the Board and any committees of the Board of which they are members. Members of the Board are also eligible to receive stock options granted pursuant to the Incentive Plan.

The following table summarizes the compensation for director fees paid to or accrued for the Company's non-employee directors for the year ended December 31, 2006.

Name	Fees Earned or Paid in Cash	Option Awards	Total
Lee K. Toole <sup>(1)</sup>	\$ 23,750	\$ 18,875	\$ 42,625
James A. Logsdon <sup>(2)</sup>	\$ 23,750	\$ 18,875	\$ 42,625
James A. Verbrugge <sup>(3)</sup>	\$ 23,750	\$ 18,875	\$ 42,625

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- (1) On May 11, 2006, the Company granted to Mr. Toole a ten-year option to purchase 12,500 shares of Common Stock, at an exercise price of \$3.00 per share, which vests or will vest with respect to 4,166 shares on May 11, 2006, 4,166 shares on May 11, 2007, and 4,168 shares on May 11, 2008. The fair value of the option determined in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* ( FAS 123 R ), was \$18,875 on the date of grant. As of December 31, 2006, the option had vested with respect to 4,166 of the underlying shares.
- (2) On May 11, 2006, the Company granted to Mr. Logsdon a ten-year option to purchase 12,500 shares of Common Stock, at an exercise price of \$3.00 per share, which vests or will vest with respect to 4,166 shares on May 11, 2006, 4,166 shares on May 11, 2007, and 4,168 shares May 11, 2008. The fair value of the option determined in accordance with FAS 123R was \$18,875 on the date of grant. As of December 31, 2006, the option had vested with respect to 4,166 of the underlying shares.
- (3) On May 11, 2006, the Company granted to Mr. Verbrugge a ten-year option to purchase 12,500 shares of Common Stock, at an exercise price of \$3.00 per share, which vests or will vest with respect to 4,166 shares on May 11, 2006, 4,166 shares on May 11, 2007, and 4,168 shares on May 11, 2008. The fair value of the option in accordance with FAS 123R was \$18,875 on the date of grant. As of December 31, 2006, the option had vested with respect to 4,166 of the underlying shares.

**PROPOSAL 1:**

**ELECTION OF CLASS II DIRECTOR**

**Nominee for Election as a Class II Director**

Upon recommendation of the Independent Directors, the Board has nominated Dr. Verbrugge for re-election as a Class II director at the Meeting. If re-elected at the Meeting to serve as a Class II director, Dr. Verbrugge will serve as a Class II director until the Company's annual meeting of shareholders to be held in 2010 and until his successor is duly elected and qualified or until his early retirement, resignation, death or removal.

Proxies cannot be voted at the Meeting for a greater number of persons than the number of nominees named. Unless otherwise directed, the persons named as proxies and attorneys in the enclosed form of proxy intend to vote (**FOR**) the election of Dr. Verbrugge as a Class II director for the ensuing term. If Dr. Verbrugge for any reason should not be available as a candidate for director, then votes will be cast pursuant to authority granted by the enclosed proxy for such other candidate or candidates as may be nominated by the Board. The Board has not been informed by Dr. Verbrugge that he is unable to serve as a director or will decline to serve as a director, if re-elected.

Set forth below is certain information, as of the Record Date, for the Class II nominee, Dr. Verbrugge. This information is based on information furnished to the Company by Dr. Verbrugge.

**Dr. James A. Verbrugge**, age 67, has served as a Class II director of the Company and as a member of the Audit Committee and the Compensation Committee since the Company's initial public offering in February 2005. Dr. Verbrugge is Emeritus Professor of Finance in the Terry College of Business at the University of Georgia. From 1976 to 2001, he was the Chairman of the Department of Banking and Finance in the Terry College of Business, where he held the Chair of Banking from 1992 to 2002. He is a member of the board of directors of Crown Crafts, Inc. and Verso Technologies, Inc. and also serves on the boards of two private companies.

**Vote Required For Approval**

A plurality of the votes present in person or represented by proxy and entitled to vote at the Meeting is required for the election of Dr. Verbrugge as a Class II director.

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### **Recommendation of the Board of Directors**

The Board unanimously recommends that the shareholders vote in favor of **(FOR)** Dr. Verbrugge for election as a Class II director.

### **Directors Continuing Service**

The following sets forth information, as of the Record Date, for all other directors of the Company whose terms of office will continue after the Meeting.

**Ronald G. Farrell**, age 64, serves as the Company's Chief Executive Officer, President and Secretary and as a Class III director of the Company. He served as the Company's sole director and officer from the Company's formation in October 2001 to the Company's initial public offering in February 2005. From December 1998 to December 2001, Mr. Farrell served as Chairman of the Board and Chief Executive Officer of Golf Entertainment, Inc. At various times from 1986 through 1998, Mr. Farrell founded and served as Chairman of the Board and Chief Executive Officer of Computer Integration Corporation, Sports Leisure, Inc., Automotive Industries, Inc. and Builders Design, Inc.

**James M. Logsdon**, age 60, has served as a Class I director of the Company and a member of the Audit Committee and the Compensation Committee since the Company's initial public offering in February 2005. Mr. Logsdon is a consultant with The Logsdon Group, which Mr. Logsdon founded in March 2004. The Logsdon Group provides tactical and strategic consulting services to business organizations. He served as President, Chief Operating Officer and a director of Verso Technologies, Inc., a publicly-held technology corporation, from January 2000 until March 2004. From January 1998 to January 2000, Mr. Logsdon served as Vice President and General Manager of Branch Operations East for the Network Services division of GTE Corporation, a global telecommunications corporation. From January 1991 to December 1997, he served as GTE's Vice President, Sales & Marketing Commercial Markets.

**Lee K. Toole**, age 71, has served as a Class III director of the Company and a member of the Audit Committee and the Compensation Committee since the Company's initial public offering in February 2005. Mr. Toole founded Toole Consulting Corporation in 1997, which provides consulting services to Lucent Technologies, Inc. and GTE Corporation, among other clients. Mr. Toole retired in 1997 as a senior vice president of GTE Corporation, concluding a 36 year career in the telecommunications industry. During his career, which included 15 years with AT&T, Inc., Mr. Toole served in various executive capacities, including President of GTE China, Senior Vice President Asia Pacific, Vice President Business Development worldwide for wireless networks, and Chairman of the Board of Directors of a joint venture in Argentina which built a nationwide wireless network.

There are no family relationships among any of the executive officers or directors of the Company. No arrangement or understanding exists between any director and any other person pursuant to which any director was selected to serve as a director. To the best of the Company's knowledge, (i) there are no material proceedings to which any director of the Company is a party, or has a material interest, adverse to the Company; and (ii) there have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions that are material to the evaluation of the ability or integrity of any of the directors during the past five years.

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**PROPOSAL 2:**  
**RATIFICATION OF APPOINTMENT OF**  
**INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

**Overview**

Tauber & Balsler serves as the Company's independent registered public accountants and conducted the audit of the Company's consolidated financial statements for the years ended December 31, 2005 and 2006. The Board has appointed Tauber & Balsler to serve as the independent registered public accountants to conduct an audit of the Company's consolidated financial statements for the year ending December 31, 2007. Miller Ray Houser & Stewart LLP ( Miller ) served as the Company's independent registered public accountants from July 24, 2004 through December 21, 2005.

Appointment of the independent registered public accountants of the Company is not required to be submitted to a vote of the shareholders of the Company for ratification under the laws of the State of Georgia. However, the Audit Committee has recommended that the Board submit this matter to the shareholders of the Company as a matter of good corporate practice. If the shareholders fail to ratify the appointment of Tauber & Balsler, then the Board will appoint another firm to serve as the independent registered public accountants of the Company for the year ending December 31, 2008.

Representatives of Tauber & Balsler are expected to be present at the Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

**Change In and Disagreements with Accountants**

On December 21, 2005, Miller resigned as the independent registered public accountants of the Company. Miller informed the Company that Miller resigned because it has decided to reduce the number of public company audit clients which Miller serves. Miller's audit reports on the consolidated financial statements of the Company and subsidiary as of and for the year ended December 31, 2004 and the financial statements of the Company as of and for the years ended December 31, 2002 and 2003 (collectively, the 2004 Financial Statements ) did not contain any adverse opinion or disclaimer of opinion nor were they qualified or modified as to uncertainty, audit scope or accounting principles. Since the time the Company engaged Miller as the Company's independent accountants on July 20, 2004 and through December 21, 2005, there were no disagreements with Miller on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of Miller, would have caused it to make reference to the subject matter of the disagreements in connection with its audit reports on the 2004 Financial Statements. During the two most recent fiscal years and through December 21, 2005, there were no reportable events, as such term is defined in Item 304(a)(1)(v) of Registration S-K.

On December 21, 2005, the Company engaged Tauber & Balsler as the Company's new independent registered public accountants to audit the Company's consolidated financial statements for the year ending December 31, 2005. The Audit Committee approved the Company's engagement of Tauber & Balsler.

During the two most recent fiscal years and through December 21, 2005, the Company did not consult with Tauber & Balsler regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, and neither a written report nor oral advice was provided to the Company that Tauber & Balsler concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of either a disagreement (as defined in Item 304 (a) (1) (iv) of Regulation S-K or the related instructions thereto) or a reportable event (as defined in Item 304 (a) (1) (v) of Regulation S-K).

**Table of Contents****Fees and Services**

The following is a summary of the fees billed to the Company by Miller and Tauber & Balser for professional services rendered for the years ended December 31, 2005 and December 31, 2006.

	Miller, Ray, Houser & Stewart LLP		Tauber & Balser, P.C.	
	Year Ended December 31, 2005	Year Ended December 31, 2006	Year Ended December 31, 2005	Year Ended December 31, 2006
Audit Fees	\$ 34,541	\$ 0	\$ 220,674	\$ 179,052
Audit Related Fees <sup>(1)</sup>	10,175	0	0	14,000
Tax Fees <sup>(2)</sup>	2,000	0	0	0
All Other Fees <sup>(3)</sup>	5,850	5,555	0	16,600
<b>Total Fees</b>	<b>\$ 52,566</b>	<b>\$ 5,555</b>	<b>\$ 220,674</b>	<b>\$ 209,652</b>

(1) These fees relate primarily to due diligence pertaining to acquisitions, audits of employee benefit plans and accounting consultations.

(2) These fees relate to 2005 tax return extensions.

(3) These fees relate primarily for consents related to consultation services, SEC registration statements and special transactions.

**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors**

The Audit Committee is required to pre-approve the audit and non-audit services performed by the Company's independent registered public accountants. The Audit Committee has adopted a policy which provides for general pre-approval of specified Audit, Audit-Related, Tax and Other Services that do not exceed enumerated dollar amounts. The policy also provides that, unless a type of service to be provided by the independent registered public accountants has received general pre-approval, it will require specific pre-approval by the Audit Committee.

The Audit Committee has determined the Audit, Audit-Related, Tax and Other Services that are the basis for general pre-approval by the Audit Committee. The enumerated dollar amounts at which such general pre-approval will apply are currently under consideration by the Audit Committee. Until the Audit Committee has determined such enumerated dollar amounts, all services performed by the Company's independent registered public accountants will require the specific pre-approval of the Audit Committee.

**Vote Required for Ratification of Independent Registered Public Accountants**

Ratification of the appointment of Tauber & Balser as the independent registered public accountants of the Company for the year ending December 31, 2007 will require that the number of votes cast at the Meeting favoring the proposal with respect to such ratification exceed the number of votes cast opposing such proposal.

**Recommendation of the Board of Directors**

The Board unanimously recommends that the shareholders of the Company vote in favor of **(FOR)** the ratification of the appointment of Tauber & Balser as the independent registered public accountants of the Company for the year ending December 31, 2007.



**Table of Contents****EXECUTIVE OFFICERS**

Executive officers of the Company are elected or appointed annually by the Board, serve at the discretion of the Board and hold office until their successors are elected and qualified or until their earlier retirement, death, resignation or removal, subject to the terms of applicable employment agreements. The following table sets forth the name of each executive officer of the Company, the office held by such officer and the age, as of the Record Date, of such officer:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Ronald G. Farrell	64	Chairman of the Board, Chief Executive Officer, President and Secretary
John R. Oliver <sup>(1)</sup>	46	Chief Financial Officer

(1) Mr. Oliver was elected Chief Financial Officer of the Company effective September 10, 2007. Mr. Oliver served from September 2006 through September 2007 as the Corporate Controller for Microtek Medical Holdings Inc., a manufacturer of surgical drapes and infection control devices. From June 2005 through August 2006, Mr. Oliver served as the Chief Financial Officer of Action Products International, Inc., a designer and manufacturer of educational toys. From September 2001 through May 2005, Mr. Oliver served as a principal of United Parcel Service.

Certain additional information concerning Mr. Farrell is set forth in the section of this Proxy Statement titled "Proposal I: Election of Class II Director - Directors Continuing Service."

There are no family relationships among any of the executive officers or directors of the Company. Except as disclosed in the sections of this Proxy Statement titled "Compensation of Executive Officers - Employment Agreements and Post-Termination Payments" and "Certain Relationships and Related Transactions," no arrangement or understanding exists between any executive officer and any other person pursuant to which any executive officer was selected to serve as an executive officer. To the best of the Company's knowledge, (i) there are no material proceedings to which any executive officer of the Company is a party, or has a material interest, adverse to the Company; and (ii) there have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions that are material to the evaluation of the ability or integrity of any executive officer during the past five years.

**BENEFICIAL OWNERSHIP BY****DIRECTORS, OFFICERS AND SIGNIFICANT SHAREHOLDERS**

The following table sets forth information regarding the beneficial ownership of Common Stock as of the Record Date by (i) each shareholder who is known by the Company to own beneficially more than 5% of the outstanding Common Stock; (ii) each executive officer and director of the Company; (iii) each individual who served as the Company's Chief Executive Officer during the year ended December 31, 2006; (iv) each person named in the "Summary Compensation Table" appearing in the section of this Proxy Statement titled "Compensation of Executive Officers"; and (v) all executive officers and directors of the Company as a group. All beneficial ownership information reported below is based upon publicly available information and certain additional information known to the Company.

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Name of Beneficial Owner	Common Stock <sup>(1)</sup>	
	Number of Shares	
	Beneficially Owned	Percent of Class <sup>(2)</sup>
Ronald G. Farrell	1,548,750 <sup>(3)</sup>	36.8%
Charles Keathley <sup>(4)</sup>	391,500	9.3%
Kaizen Management, L.P. <sup>(5)</sup>	416,124 <sup>(6)</sup>	9.9%
Robert K. Mills	76,145 <sup>(7)</sup>	*
James A. Verbrugge	18,333 <sup>(8)</sup>	*
James A. Logsdon	8,333 <sup>(9)</sup>	*
L. K. Toole	8,333 <sup>(10)</sup>	*
John R. Oliver	0	
All directors and executive officers as a group (5 persons)	1,583,750 <sup>(11)</sup>	37.7%

Director of the Company

Officer of the Company

\* Less than 1% of the issued and outstanding shares of the Common Stock.

- (1) Unless otherwise noted, all of the shares shown are held by individuals or entities possessing sole voting and investment power with respect to such shares. Shares not outstanding but deemed beneficially owned by virtue of the right of a person or member of a group to acquire them within 60 days of the Record Date, are treated outstanding only when determining the amount and percentage owned by such individual or group.
- (2) In accordance with regulations of the SEC, the percentage calculations are based on 4,203,280 shares of Common Stock issued and outstanding as of the Record Date, plus shares of Common Stock which may be acquired within 60 days of the Record Date by each individual or group listed.
- (3) Includes (i) 654,576 shares of Common Stock held by R.G.F. Investments, Inc., a corporation in which Mr. Farrell is the sole shareholder, officer and director, over which shares Mr. Farrell may be deemed to have sole investment and voting power; (ii) 97,087 shares of Common Stock held by Mr. Farrell's spouse, over which shares Mr. Farrell disclaims beneficial ownership; and (iii) 700,000 shares of Common Stock over which Mr. Farrell has sole voting power, but not investment power, as a result of the Voting Agreement.
- (4) Includes 378,000 shares of Common Stock over which Mr. Keathley exercises investment power but not voting power. Pursuant to the Voting Agreement, Mr. Keathley has granted to Mr. Farrell an irrevocable proxy to vote such shares. Mr. Keathley's address is 9017 Valley View Drive, Huntsville, Alabama 35802.
- (5) On May 14, 2007, a Schedule 13D/A was jointly filed by the following reporting persons: Kaizen Management, L.P.; Kaizen Capital, L.L.C.; Select Contrarian Value Partners, L.P. and David W. Barry. The principal business office of such reporting persons is 4200 Montrose Blvd., Suite 510, Houston, Texas 77006.
- (6) Includes 41,106 shares of Common Stock. The reporting person owns a 10% convertible promissory note which is convertible into 312,500 shares of Common Stock and a warrant which is exercisable into 156,250 shares of Common Stock. Pursuant to the terms of the note and warrant, the note may not be converted, and the warrant may not be exercised, if such conversion or exercise would result in the reporting person owning greater than 9.99% of the Common Stock.
- (7) Represents (i) 5,208 shares of Common Stock issuable upon conversion of a 10% convertible promissory note; (ii) 2,604 shares of Common Stock issuable upon exercise of a warrant; and (iii) 68,333 shares of Common Stock issuable upon exercise of options. Mr. Mills ceased serving as the Company's Chief Financial Officer effective July 31, 2007.
- (8) Includes 8,333 shares of Common Stock issuable upon exercise of an option.
- (9) Represents 8,333 shares of Common Stock issuable upon exercise of an option.
- (10) Represents 8,333 shares of Common Stock issuable upon exercise of an option.
- (11) Includes (i) 25,000 shares of Common Stock issuable upon exercise of an option; and (ii) 700,000 shares of Common Stock over which Mr. Farrell has sole voting power but not investment power as a result of the Voting Agreement.

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**AUDIT COMMITTEE REPORT**

The Audit Committee consists of the following members of the Board: Messrs. Logsdon and Toole and Dr. Verbrugge, with Dr. Verbrugge serving as the chairman. Each of the members meets the independence requirements of Rule 4200(a)(15) of the Nasdaq.

The Audit Committee operates under a written charter adopted by the Board effective as of October 13, 2004, a copy of which was attached as *Appendix A* to the Company's proxy statement for the 2006 Annual Meeting of Shareholders.

The Audit Committee has reviewed and discussed with management the Company's audited financial statements as of and for the year ended December 31, 2006.

The Audit Committee has discussed with the Company's independent registered public accountants for the year ended December 31, 2006, the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended.