

TRI-S SECURITY CORP
Form 10-K/A
April 30, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 on
Form 10-K/A

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

For the fiscal year ended December 31, 2008

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-51148

Tri-S Security Corporation

(Exact Name of Registrant as Specified in Its Charter)

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Georgia
(State or Other Jurisdiction of
Incorporation or Organization)

30-0016962
(I.R.S. Employer
Identification No.)

Royal Centre One
11675 Great Oaks Way
Suite 120
Alpharetta, GA 30022

(Address of Principal Executive Offices)

(678) 808-1540

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: common stock, par value \$0.001 per share; and warrants to purchase common stock, par value \$0.001 per share

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the 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
Non-accelerated filer

Accelerated Filer
Smaller Reporting Company

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates completed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter is \$6,981,505.

As of April 29, 2009, 4,203,280 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: NONE.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this Amendment) amends the Annual Report on Form 10-K for the year ended December 31, 2008, of Tri-S Security Corporation (the Company, we or us) filed with the Securities and Exchange Commission (the SEC) on April 14, 2009 (the Original Report). This Amendment replaces the information previously incorporated by reference in Part III of the Original Report with the actual text for Part III of the Form 10-K. Except for providing the disclosures required by Part III of Form 10-K, this Amendment does not modify or update any disclosures presented in the Original Report. Accordingly, this Amendment does not reflect events occurring after the filing of the Original Report or modify or update those disclosures contained in the Original Report which may have been affected by subsequent events. Information not affected by this Amendment is unchanged and reflects the disclosures made at the time the Original Report was filed. The Original Report, as amended by this Amendment, is referred to herein as the Annual Report.

PART III

Item 10. Directors, Executive Officers and Corporate Governance Board of Directors

Our bylaws provide that our board of directors shall consist of between one member and nine members. Our board of directors currently consists of five members, Ronald G. Farrell, Lee K. Toole, James M. Logsdon, Dr. James A. Verbrugge and Michael F. Bennett. If we have more than two directors, our articles of incorporation provide for a classified board of directors consisting of three classes of directors, each serving staggered three-year terms. As a result, approximately one-third of our board of directors will be elected each year. This classification of our board of directors may delay or prevent a change in control of the Company.

Dr. Verbrugge and Messrs. Farrell, Toole, Logsdon and Bennett serve as directors of the Company as follows: Messrs. Logsdon and Bennett each serve as a Class I Director until the 2009 annual meeting of shareholders; Dr. Verbrugge serves as a Class II Director until the 2010 annual meeting of shareholders; and Messrs. Farrell and Toole each serve as Class III Directors until the 2008 annual meeting of shareholders. Messrs. Farrell, Toole and Logsdon and Dr. Verbrugge will serve as directors until the expiration of their applicable terms and until their successors have been elected and qualified or until their earlier death, resignation or removal. Mr. Bennett will serve as a director pursuant to the terms of the Director Designation Agreement between us and Select Contrarian Value Partners, L.P. (Select Contrarian), dated October 16, 2008, and amended on November 5, 2008 (as amended, the Designation Agreement). See Item 10, Directors, Executive Officers and Corporate Governance Agreements to Serve, for a further description of the Designation Agreement.

Set forth below is certain information, as of April 30, 2009, concerning each of the directors of the Company.

Name	Age	Position
Ronald G. Farrell	65	Director
James M. Logsdon	61	Director
Lee K. Toole	72	Director
James A. Verbrugge	68	Director
Michael F. Bennett	54	Director

Certain additional information concerning the individuals named above is set forth below:

James M. Logsdon has served as a member of our board of directors, our audit committee and our compensation committee since our 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 has served as a member of our board of directors, our audit committee and our compensation committee since our 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.

Dr. James A. Verbrugge has served as a member of our board of directors, our audit committee and our compensation committee since our 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.

Michael F. Bennett has served as a member of our board of directors, our audit committee and our compensation committee since January 2, 2009. Michael F. Bennett has served as a member of our board of directors, our audit committee and our compensation committee since January 2, 2009. Mr. Bennett currently serves as a business and financial consultant to small and medium sized companies and is involved in the management of various projects involving commercial real estate, investment in stocks and bonds, and the acquisition of distressed assets. Mr. Bennett has been engaged in these businesses since 2006, when he retired from Nationwide Capital Corporation, a finance leasing company, concluding a 24 year career in the leasing industry. During his career, which included 24 years at Nationwide Capital, Mr. Bennett served in various executive capacities, including (i) founder, President and Chief Financial Officer of Nationwide Capital; (ii) founder of Nationwide Equipment Sales, a former subsidiary of Nationwide Capital which purchased, refurbished and sold used textile equipment; and (iii) President of a joint venture between Emtex Leasing Corporation, a company started by Mr. Bennett in 1995, and Macpherson, Inc., which joint venture provided leasing services for equipment sold by Macpherson. In addition to his career in the leasing industry, in 1995 Mr. Bennett formed Southwick Capital, LLC for purposes of investing in stock, real estate and various debt instruments.

The biographical information for Mr. Farrell is set forth in Item 4.5 of Part I of this Annual Report.

Agreements to Serve

Pursuant to the Designation Agreement, we agreed, among other things, to: (i) increase the size of our board of directors from four (4) to five (5) members; (ii) elect one (1) person designated by Select Contrarian to fill the vacancy created by such increase (the Designee) and slate the Designee in a director class in accordance with applicable law; (iii) give Select Contrarian the right to appoint the Designee to serve on each of the committees of our board of directors; and (iv) use our reasonable efforts to cause our board of directors to continue to include the Designee thereon until the Designation Agreement terminates. The Designation Agreement will terminate at such time as: (a) we have satisfied our obligations to Select Contrarian under the 14% Convertible Promissory Note due November 13, 2010, issued to it by us upon completion of the exchange offer described in our tender offer statement on Schedule TO, initially filed with the SEC on August 20, 2008, as amended (the Exchange Offer); or (b) Select Contrarian no longer holds such promissory note, whichever is earlier. In accordance with the Designation Agreement, Select Contrarian designated Mr. Bennett to serve as its Designee on our board of directors and its committees.

Accordingly, on December 19, 2008, our board of directors: (i) increased the size of our board of directors from four (4) to five (5) members effective January 2, 2009, with the vacancy on our board of directors created by such increase occurring in the Class 1 Director class; and (ii) elected Mr. Bennett to fill such vacancy and serve as a Class I Director, effective January 2, 2009, and pursuant to the terms of the Designation Agreement.

In connection with his election as a Class I Director effective January 2, 2009, Mr. Bennett submitted to us a written notice pursuant to which he agrees to resign, and does in fact resign, from our board of directors effective as of the termination of the Designation Agreement.

There are no family relationships among any of our executive officers or directors. Except as otherwise disclosed in this Annual Report, 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 our 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.

Executive Officers

Our board of directors appoints our executive officers on an annual basis to serve until their successors have been elected and qualified, subject to applicable employment agreements. See Item 11, Executive Compensation Employment Agreements and Post-Termination Payments, of this Annual Report. Set forth below is certain information as of April 30, 2009, concerning each of our executive officers.

Name	Age	Position
Ronald G. Farrell	65	Chairman of the Board, President and Chief Executive Officer of the Company
Nicolas V. Chater	55	Chief Financial Officer

The biographical information for Messrs. Farrell and Chater is set forth in Item 4.5 of Part I of this Annual Report.

Audit Committee and Audit Committee Financial Expert

We have a separately designated standing audit committee of the board of directors established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The members of the audit committee are Messrs. Logsdon, Toole, Bennett and Verbrugge.

Our board of directors has determined that the audit committee's chairperson, Dr. Verbrugge, is an audit committee financial expert, as such term is defined in Item 401(h) of Regulation S-K. Dr. Verbrugge meets the independence requirements of Rule 4200(a)(15) of the listing standards of The NASDAQ Stock Market LLC (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 of 1933, as amended, as a result of being designated or identified as an audit committee financial expert pursuant to Item 401 of Regulation S-K. Furthermore, the designation or identification of a person as an audit committee financial expert pursuant to Item 401 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 of directors 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 401 of Regulation S-K does not affect the duties, obligations or liability of any other member of the audit committee or board of directors.

Code of Ethics

The board of directors has adopted a Code of Ethics and Conduct that applies to all of our employees, including our Chief Executive Officer and Chief Financial Officer. We shall provide to any person without charge, upon request, a copy of our Code of Ethics and Conduct. Such requests should be directed to the Secretary of Tri-S Security Corporation at 11675 Great Oaks Way, Suite 120, Alpharetta, Georgia 30022.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers, and all persons (Reporting Persons) who beneficially own more than 10% of the outstanding shares of Common Stock, to file with the SEC initial reports of ownership and reports of changes in ownership of the Common Stock and other equity securities of the Company. Reporting Persons are also required to furnish the Company with copies of all Section 16(a) forms they file. To our knowledge, based solely upon a review of the copies of such forms furnished to us for the year ended December 31, 2008, and the information provided to us by Reporting Persons of the Company, no Reporting Person failed to file the forms required by Section 16(a) of the Exchange Act on a timely basis except that Mr. Farrell did not file a Form 4 due on April 14, 2008 until April 17, 2008.

Item 11. Executive Compensation Summary Compensation Table

The following table and footnotes discuss the compensation paid to, earned by or accrued by our Chief Executive Officer, Chief Financial Officer and the other most highly compensated executive officers of the Company whose total compensation exceeded \$100,000 (collectively, the Named Executive Officers) during the years ended December 31, 2008 and 2007.

Name and Principal Position	Year	Salary	Bonus	Option Awards ⁽¹⁾	Awards Stock ⁽¹⁾	All Other Compensation	Total
Ronald G. Farrell, Chief Executive Officer	2008	\$ 444,686 ⁽²⁾	\$ 92,600	\$ 462,000 ⁽³⁾	\$ 0	\$ 75,557 ⁽⁴⁾	\$ 1,074,843
Nicolas V. Chater, Chief Financial Officer	2008	\$ 251,563	\$ 115,000	\$ 47,500 ⁽⁵⁾	\$ 5,417	\$ 0	\$ 419,480
Robert K. Mills, former Chief Financial Officer	2007	\$ 30,288	\$ 0	\$ 1,979 ⁽⁵⁾	\$ 0	\$ 0	\$ 32,267
	2007	\$ 135,569	\$ 7,580	\$ 10,414 ⁽⁶⁾	\$ 0	\$ 10,500 ⁽⁷⁾	\$ 164,843

- ⁽¹⁾ Reflects the proportionate amount of the total fair value of option awards or restricted common stock, as applicable, granted under the Company's Amended and Restated 2004 Stock Incentive Plan, as amended (the Incentive Plan), that is recognized by the Company as an expense for financial statement reporting purposes for the years indicated. The fair value of the awards was determined in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (which we refer to in this Annual Report as FAS No. 123R). The assumptions used in the calculation of the grant date fair values of the awards are included in Note 3 to the Company's audited financial statements for the fiscal year ended December 31, 2008, included elsewhere in this Annual Report.
- ⁽²⁾ In connection with the completion of the Exchange Offer, we amended Mr. Farrell's employment agreement, as of December 31, 2008, as follows: (i) to reduce his annual salary by (a) 25% during the period from January 1, 2009 through June 30, 2009, and (b) 50% during the period from July 1, 2009 through June 30, 2010; and (ii) to grant Mr. Farrell (a) 100,000 shares of Common Stock on December 31, 2008, and (b) 81,406 shares of Common Stock on January 1, 2009. See Item 11, Executive Compensation Employment Agreements and Post-Termination Payments, of this Annual Report for a further discussion of Mr. Farrell's employment agreement.
- ⁽³⁾ On February 26, 2008, the Company granted to Mr. Farrell a ten-year option to purchase 400,000 shares of Common Stock at an exercise price of \$2.50 per share, which option vests or vested as to 200,000 shares on each of February 26, 2008, and February 26, 2009. On April 29, 2009, the closing sales price of the Common Stock was \$0.95 per share. Accordingly, as of such date, this option was out-of-the-money.
- ⁽⁴⁾ For each of the years ended December 31, 2008 and 2007, this includes amounts paid by the Company for: (i) health insurance premiums (\$29,875 in 2008), and reimbursements for healthcare expenses not otherwise covered by insurance, for Mr. Farrell and his family; (ii) automobile allowance; (iii) spousal travel expenses; and (iv) club membership fees. For the year ended December 31, 2008, this also includes amounts paid by the Company for life insurance premiums for a policy for the benefit of Mr. Farrell's heirs. For the year ended December 31, 2007, this also includes amounts paid by the Company for personal tax return preparation and political contributions in the name of Mr. Farrell.
- ⁽⁵⁾ On December 13, 2007, the Company granted to Mr. Chater a ten-year option to purchase 100,000 shares of Common Stock at an exercise price of \$2.00 per share, which option vests or vested as to 50,000 shares on each of December 13, 2008, and December 13, 2009. On April 29, 2009, the closing sales price of the Common Stock was \$0.95 per share. Accordingly, as of such date, this option was out-of-the-money.
- ⁽⁶⁾ The Company granted to Mr. Mills: (i) on May 3, 2007, a ten-year option to purchase 45,000 shares of Common Stock at an exercise price of \$2.70 per share, which option was scheduled to vest as to 15,000 shares on each of May 3, 2007, May 3, 2008 and May 3, 2009; (ii) on January 13, 2006, a ten-year option to purchase 100,000 shares of Common Stock at an exercise price of \$4.05 per share, which option was scheduled to vest as to 33,333 shares on each of August 8, 2006 and August 8, 2007 and as to 33,334 shares on August 8, 2009; and (iii) on May 11, 2006, a ten-year option to purchase 30,000 shares of Common Stock at an exercise price of \$3.00 per share, which option was scheduled to vest as to 10,000 shares on each of May 11, 2006, May 11, 2007 and

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May 11, 2008. Mr. Mills ceased serving as our Chief Financial Officer effective July 31, 2007, and all his options terminated on October 31, 2007, without being exercised.

- ⁽⁷⁾ This represents amounts paid by the Company for automobile allowance.

Outstanding Equity Awards At 2008 Fiscal Year-End

The table below shows outstanding equity awards held by our Named Executive Officers as of December 31, 2008.

Name	Number of Securities Underlying Exercisable Options	Option Awards			Stock Awards	
		Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares That Have Not Vested	Market Value of Shares That Have Not Vested
Ronald G. Farrell	200,000 ⁽¹⁾	200,000 ⁽¹⁾	\$ 2.50	12/26/2018	100,000 ⁽²⁾	\$ 55,000
Nicolas V. Chater	50,000 ⁽³⁾	50,000 ⁽³⁾	\$ 2.00	12/13/2017	50,000 ⁽⁴⁾	\$ 27,500

⁽¹⁾ Represents an option to purchase 400,000 shares of Common Stock which vests or vested as to 200,000 shares on each of February 26, 2008, and February 26, 2009.

⁽²⁾ Represents an award of restricted Common Stock which vests in 17 equal monthly installments of 5,512 shares and a final monthly installment of 6,296 shares.

⁽³⁾ Represents an option to purchase 100,000 shares of Common Stock which vests or vested as to 50,000 shares on each of December 31, 2008, and December 13, 2009.

⁽⁴⁾ Represents an award of restricted Common Stock which vests as to 25,000 shares on each of May 12, 2009, and November 12, 2009.

Director Compensation

We compensate each member of our board of directors for their service on our board of directors at an annual rate of \$18,000 per year plus \$1,500 for each board of directors meeting and committee meeting attended by such member. We reimburse our board of director members for reasonable expenses incurred by them in attending such meetings of our board of directors and any committees of the board of directors of which they are members. Members of our board of directors 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 non-employee directors for the fiscal year ended December 31, 2008.

Name	Fees Earned or Paid in Cash	Option Awards	Total
James A. Logsdon ⁽¹⁾	\$ 36,500	\$ 2,925	\$ 39,450
Lee K. Toole ⁽²⁾	\$ 36,500	\$ 2,925	\$ 39,450
James A. Verbrugge ⁽³⁾	\$ 36,500	\$ 2,925	\$ 39,450

⁽¹⁾ 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 option vested as to 4,166 shares on each of May 11, 2006, May 11, 2007, and May 11, 2008, and which had a fair value on the date of grant determined in accordance with FAS No. 123R of \$18,875. On November 8, 2007, the Company granted to Mr. Logsdon an immediately exercisable, ten-year option to purchase 5,000 shares of Common Stock at an exercise price of \$2.16 per share, which option had a fair value on the date of grant determined in accordance with FAS No. 123R of \$5,200. On November 12, 2008, the Company granted to Mr. Logsdon an immediately exercisable, ten-year option to purchase 7,500 shares of Common Stock at an exercise price of \$0.65 per share, which option had a fair value on the date of grant determined in accordance with FAS No. 123R of \$2,925. As of December 31, 2008, Mr. Logsdon had exercisable options to purchase an aggregate of 25,000 shares of Common Stock.

- ⁽²⁾ On May 11, 2006, the Company granted to Mr. Toole ten-year option to purchase 12,500 shares of Common Stock at an exercise price of \$3.00 per share, which option vests as to 4,166 shares on each of May 11, 2006, May 11, 2007, and May 11, 2008, and which had a fair value on the date of grant determined in accordance with FAS No. 123R of \$18,875. On November 8, 2007, the Company granted to Mr. Toole an immediately exercisable, ten-year option to purchase 5,000 shares of Common

Stock at an exercise price of \$2.16 per share, which option had a fair value on the date of grant determined in accordance with FAS No. 123R of \$5,200. On November 12, 2008, the Company granted to Mr. Toole an immediately exercisable, ten-year option to purchase 7,500 shares of Common Stock at an exercise price of \$0.65 per share, which option had a fair value on the date of grant determined in accordance with FAS No. 123R of \$2,925. As of December 31, 2008, Mr. Toole had exercisable options to purchase an aggregate of 25,000 shares of Common Stock.

- (3) On May 11, 2006, the Company granted to Dr. Verbrugge a ten-year option to purchase 12,500 shares of Common Stock at an exercise price of \$3.00 per share, which option vests as to 4,166 shares on each of May 11, 2006, May 11, 2007, and May 11, 2008, and which had a fair value on the date of grant determined in accordance with FAS No. 123R of \$18,875. On November 8, 2007, the Company granted to Dr. Verbrugge an immediately exercisable, ten-year option to purchase 5,000 shares of Common Stock at an exercise price of \$2.16 per share, which option had a fair value on the date of grant determined in accordance with FAS No. 123R of \$5,200. On November 12, 2008, the Company granted to Dr. Verbrugge an immediately exercisable, ten-year option to purchase 7,500 shares of Common Stock at an exercise price of \$0.65 per share, which option had a fair value on the date of grant determined in accordance with FAS No. 123R of \$2,925. As of December 31, 2008, Dr. Verbrugge had exercisable options to purchase an aggregate of 25,000 shares of Common Stock.

Employment Agreement and Post-Termination Payments

Ronald G. Farrell. Pursuant to Mr. Farrell's employment agreement with the Company, Mr. Farrell has agreed to serve as our Chief Executive Officer and President until June 30, 2010. The employment agreement provides for: (i) payment of a specified base salary; (ii) payment of an annual incentive bonus equal to 5% of the Company's EBITDA, as defined, for such year, provided that such bonus may not exceed 100% of Mr. Farrell's base salary for such year; (iii) prohibitions against Mr. Farrell's disclosure of confidential information, solicitation of our employees and participation in a business competitive with our business during his employment and for a period of one year following the termination of his employment; (iv) upon termination of Mr. Farrell's employment by us without cause or by Mr. Farrell for good reason, a lump sum payment to Mr. Farrell equal to the base salary otherwise payable to Mr. Farrell for the remainder of the term of the employment agreement and continuation of all other employee benefits and payments otherwise payable to Mr. Farrell for the remainder of such term, provided, however, that all COBRA payments payable by Mr. Farrell shall be paid by the Company for at least 18 months after such termination; and (v) upon a change of control of the Company, a lump sum payment to Mr. Farrell equal to the value of all compensation and benefits which Mr. Farrell would have received had the employment agreement terminated two years after such change of control. Pursuant to Mr. Farrell's employment agreement, we also provide certain other benefits and expense reimbursements to Mr. Farrell which are consistent with his position as our Chief Executive Officer. Mr. Farrell is also entitled to participate in any employee benefit plan, stock option plan and other fringe benefit plan at the discretion of our board of directors.

In connection with the Exchange Offer, on December 31, 2008, we amended Mr. Farrell's employment agreement as of December 31, 2008, as follows: (i) to reduce his annual salary by (a) 25% during the period from January 1, 2009 through June 30, 2009 and (b) 50% during the period from July 1, 2009 through June 30, 2010; and (ii) to grant to Mr. Farrell (a) 100,000 shares of Common Stock on December 31, 2008 and (b) 81,406 shares of Common Stock on January 1, 2009 (together, the "Stock Grants"). Notwithstanding this amendment, the reduction in Mr. Farrell's annual salary will not affect the calculation of bonus, severance or other amounts which Mr. Farrell is entitled to receive, and which are calculated with reference to Mr. Farrell's base salary, under his employment agreement and such bonus, severance and other amounts will be calculated and made as if the reduction in Mr. Farrell's annual salary had not occurred.

The Stock Grants have been made pursuant and subject to the terms and conditions of the Incentive Plan. The Stock Grants vest, collectively, in a manner such that an aggregate of 10,000 shares vests on the last day of each month during the period from January 1, 2009 through May 31, 2010, and the remaining unvested shares underlying the Stock Grants vests on June 30, 2010. Notwithstanding the foregoing, if the Company experiences a change in control (as defined in the Incentive Plan), or if Mr. Farrell resigns, is terminated from his position, ceases to be our Chief Executive Officer or otherwise ceases to be employed by the Company, then all shares underlying the Stock Grants which have not vested by the end of the month in which such change in control occurs, or at the time of such resignation, termination or cessation, will be forfeited.

For purposes of Mr. Farrell's employment agreement: (i) the term "cause" means gross negligence, gross malfeasance or willful disregard for duty in the performance of Mr. Farrell's employment agreement; provided, however, that such disregard shall not be considered willful, unless done, or omitted to be done, by him not in good faith and without reasonable belief that this action or omission was in the best interest of the Company; and (ii) the phrase "change of control" refers to the sale of the Company, removal of Mr. Farrell as Chairman of our board of directors, or one person or group gaining a majority 51% interest in the Company or a majority of the members of our board of directors.

Pursuant to Mr. Farrell's employment agreement, the following post-termination payments would be payable to Mr. Farrell as of December 31, 2008, if a termination event occurred:

	Salary	Health and Welfare Benefits	Other
Termination due to death of the executive	\$ 758,200	\$ 62,634	\$ 36,270
Termination with cause	\$ 0	\$ 44,812	\$ 0
Termination without cause	\$ 758,200	\$ 62,634	\$ 36,270
Termination due to change of control	\$ 1,027,225	\$ 84,512	\$ 48,360

Nicolas Chater. Pursuant to Mr. Chater's employment agreement with the Company, Mr. Chater has agreed to serve as our Chief Financial Officer until June 30, 2010. The employment agreement provides for (i) payment of a base salary at a rate of \$250,000 per year, (ii) payment of an annual retention bonus equal to \$25,000 per year and (iii) payment of an annual performance bonus equal to 3% of our EBITDA, as defined, for such year; provided, that (a) the annual performance bonus may not exceed 100% of the base salary for such year and (b) Mr. Chater's 2008 performance bonus shall not be less than \$90,000. The employment agreement also provides that, if Mr. Chater's employment is terminated by us without cause or by him for good reason, then Mr. Chater shall be entitled to receive a single lump sum in an amount equal to his then-current salary and performance bonus and shall be entitled to participate in our employee benefit, retirement and compensation plans during the twelve-month period following the date of such termination. Notwithstanding the foregoing, if Mr. Chater's employment is terminated by us without cause during the 24-month period following a change of control of the Company, then Mr. Chater will be entitled to receive a lump sum payment of his then-current performance bonus and twice his then-current base salary and shall be entitled to participate in our employee benefit, retirement and compensation plans during the 24-month period following the date of such termination.

For purposes of Mr. Chater's employment agreement, cause for termination hereof shall exist if: (i) Mr. Chater is convicted of, or pleads guilty or nolo contendere to, any act of fraud, misappropriation or embezzlement, or any felony; (ii) in the reasonable determination of our board of directors, Mr. Chater has engaged in conduct or activity materially damaging to the business of the Company; or (iii) Mr. Chater has failed, without reasonable cause, to devote his full business time and best efforts to the business of the Company and, after written notice from the Company of such failure, Mr. Chater at any time thereafter again so fails.

Also for purposes of Mr. Chater's employment agreement, a change in control shall have occurred if: (i) a majority of the directors of the Company shall be persons other than persons (a) for whose election proxies shall have been solicited by our Board of Directors, or (b) who are then serving as directors appointed by our board of directors to fill vacancies on our board of directors caused by death or resignation (but not by removal) or to fill newly-created directorships; (ii) a majority of the outstanding voting power of the Company shall have been acquired or beneficially owned by any person or group, which group does not include Mr. Chater; or (iii) there shall have occurred, subject to certain exceptions, (1) a merger or consolidation of the Company with or into another corporation (other than certain specified mergers or consolidations), (2) a statutory exchange of shares of one or more classes or series of outstanding voting stock of the Company for cash, securities or other property, (3) the sale or other disposition of all or substantially all of the assets of the Company (in one transaction or a series of transactions), or (4) the liquidation or dissolution of the Company.

Pursuant to the employment agreement, the following post-termination payments would be payable to Mr. Chater as of December 31, 2008, if such termination event occurred:

	Salary ⁽¹⁾	Health and Welfare Benefits
Termination due to death of the executive	\$ 90,000	\$ 0
Termination with cause	\$ 0	\$ 0
Termination without cause	\$ 354,141	\$ 14,514
Termination due to change of control	\$ 721,500	\$ 29,027

⁽¹⁾ Includes guaranteed bonus

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
Equity Compensation Plan Information

The following table sets forth information regarding equity compensation plans under which the Common Stock is authorized for issuance as of December 31, 2008.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders: ⁽¹⁾	873,050	\$ 2.53	821,950
Equity compensation plans not approved by security holders: ⁽²⁾	635,000	\$ 5.05	0
Total	1,508,050	\$ 3.59	821,950

- (1) Represents options available for grant pursuant to the Incentive Plan, which was initially approved by our shareholders on October 13, 2004, amended and restated in November 2006, and further amended in December 2008.
- (2) Includes options and warrants to purchase Common Stock granted under plans not approved by our shareholders. The material features of such plans are set forth below:
- (a) In July 2002, we issued to one of our lenders a warrant to purchase 50,000 shares of Common Stock at an initial exercise price of \$1.00 per share exercisable in its entirety on the date of grant. Upon the Exchange and Recapitalization, this option was exchanged for an option to purchase 16,181 shares of Common Stock at an exercise price of \$2.09 per share.
- (b) On February 8, 2005, we issued to our underwriters for our initial public offering options to purchase an aggregate of 180,000 shares of Common Stock at an exercise price of \$7.08 per share, which options expire on February 8, 2010.
- (c) On February 8, 2005, we issued to our underwriter for our initial public offering options to purchase an aggregate of 180,000 warrants, each exercisable for one share of Common Stock. The options have an exercise price of \$.15 per warrant and, upon issuance, the warrants will have an exercise price of \$7.20 per share. The options and warrants, if issued, expire on February 8, 2010. On July 30, 2008, we issued to one of our lenders a warrant to purchase 60,000 shares of Common Stock at an exercise price of \$3.00 per share. The warrant was issued pursuant to the terms of our credit facility in exchange for a reduction in overadvance fees in respect of May and June 2008 and expires on July 30, 2012.
- (d) On September 12, 2008, we issued to one of our lenders a warrant to purchase 125,000 shares of Common Stock at an exercise price of \$1.27 per share. The warrant was issued in exchange for the execution of an amendment to our credit facility and expires on September 12, 2012.
- (e) On October 7, 2008, we issued to one of our lenders a warrant to purchase 90,000 shares of Common Stock at an exercise price of \$3.00 per share. The warrant was issued pursuant to the terms of our credit facility in exchange for a reduction in overadvance fees in respect of the third quarter of 2008 and expires on October 7, 2012.

Beneficial Ownership

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The following table sets forth information regarding the beneficial ownership of the Common Stock as of April 29, 2009 by (i) each person or group of persons known to us to beneficially own more than 5% of the outstanding shares of Common Stock; (ii) each of our directors; (iii) each of our Named Executive Officers; and (iv) all our executive officers and directors as a group. All beneficial ownership information reported below is based upon publicly available information and certain additional information known to us.

Name of Beneficial Owner	Common Stock ⁽¹⁾	
	Number of Shares	
	Beneficially Owned	Percent of Class ⁽²⁾
Ronald G. Farrell	2,090,156 ⁽³⁾	36.7%
Loeb Partners Corporation	1,182,300 ⁽⁴⁾	9.9%
Arnold Schumsky	665,900 ⁽⁵⁾	9.9%
Kaizen Management, L.P. ⁽⁶⁾	466,771 ⁽⁷⁾	9.9%
Charles Keathley	391,500 ⁽⁸⁾	8.5%
Mercantile Capital Partners I L.P.	337,800 ⁽⁹⁾	6.9%
Nicolas V. Chater	100,000 ⁽¹⁰⁾	2.2%
Michael F. Bennett	67,560 ⁽¹¹⁾	1.5%
James A. Verbrugge	35,000 ⁽¹²⁾	*
James A. Logsdon	25,000 ⁽¹³⁾	*
L. K. Toole	25,000 ⁽¹⁴⁾	*
Robert K. Mills	16,890 ⁽¹⁵⁾	*
All directors and executive officers as a group (6 persons)	2,342,716 ⁽¹⁶⁾	39.8%

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 April 29, 2009, 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 4,589,706 shares of Common Stock which are issued and outstanding, or which the Company is obligated to issue, as of April 29, 2009, plus shares of Common Stock which may be acquired within 60 days of April 29, 2009, 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. & volatility of the Indices or lower expected correlation among the Indices as of the pricing date may result in a higher contingent coupon rate, but it also represents a greater expected likelihood as of the pricing date that the closing level of at least one Index will be less than its coupon threshold level on one or more calculation days, such that you will not receive one or more, or any, contingent coupon payments during the term of the securities, and that the closing level of at least one Index will be less than its downside threshold level on the final calculation day such that you will lose a substantial portion, and possibly all, of the original offering price per security at maturity. In general, the higher the contingent coupon rate is relative to the fixed rate we would pay on conventional debt securities, the greater the expected risk that you will not receive one or more, or any, contingent coupon payments during the term of the securities and that you will lose a substantial portion, and possibly all, of the original offering price per security at maturity.

Our Redemption Right May Limit Your Potential To Receive Contingent Coupon Payments.

We may, at our option, redeem the securities on any contingent coupon payment date beginning approximately one year after issuance. Although exercise of the redemption right will be within our sole discretion, we will be more likely to redeem the securities at a time when the lowest performing Index is performing favorably from your perspective in other words, at a time when, if the securities were to remain outstanding, it is more likely that you would have continued to receive contingent coupon payments and been repaid the original offering price at maturity. Therefore, our redemption right is likely to limit your potential to receive contingent coupon payments if the lowest performing Index is performing favorably from your perspective. On the other hand, we will be less likely to redeem the securities at a time when the lowest performing Index is performing unfavorably from your perspective in other words, you are more likely to continue to hold the securities at a time when it is less likely

that you will continue to receive contingent coupon payments and it is less likely that you will be repaid the original offering price at maturity.

If we exercise our redemption right, the term of the securities may be reduced to as short as approximately one year. There is no guarantee that you would be able to reinvest the proceeds from an investment in the securities at a comparable return for a similar level of risk in the event we redeem the securities prior to maturity.

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Risk Factors (Continued)

An Investment In The Securities May Be More Risky Than An Investment In Securities With A Shorter Term.

The securities have a term of ten years, subject to our redemption right. By purchasing securities with a longer term, you will be subject to all the risks of the securities for a longer period of time, which may increase the potential negative impact of those risks. For example, if the level of any Index declines below its coupon threshold level and remains below its coupon threshold level for an extended period of time, you may be more adversely affected by that decline as a holder of the securities than you would be if you held otherwise comparable securities with a shorter term, because the period of time during which you may hold an investment that pays no interest may be longer. Similarly, if general market interest rates rise, so that the contingent coupon rate payable on the securities compares less favorably to interest rates payable on less risky conventional fixed rate debt securities, the negative impact of that increase on the securities is likely to be greater than it would be if the securities had a shorter term. If you tried to sell your securities at a time when the risks of the securities have increased, the value of your securities in any secondary market transaction would likely be more adversely affected by these risks than if the securities had a shorter term.

The Securities Are Subject To The Credit Risk Of Wells Fargo.

The securities are our obligations and are not, either directly or indirectly, an obligation of any third party. Any amounts payable under the securities are subject to our creditworthiness, and you will have no ability to pursue any securities included in any Index for payment. As a result, our actual and perceived creditworthiness may affect the value of the securities and, in the event we were to default on our obligations, you may not receive any amounts owed to you under the terms of the securities.

The Estimated Value Of The Securities On The Pricing Date, Based On WFS's Proprietary Pricing Models, Is Less Than The Original Offering Price.

The original offering price of the securities includes certain costs that are borne by you. Because of these costs, the estimated value of the securities on the pricing date is less than the original offering price. The costs included in the original offering price relate to selling, structuring, hedging and issuing the securities, as well as to our funding considerations for debt of this type. The costs related to selling, structuring, hedging and issuing the securities include (i) the agent discount, (ii) the projected profit that our hedge counterparty (which may be one of our affiliates) expects to realize for assuming risks inherent in hedging our obligations under the securities and (iii) hedging and other costs relating to the offering of the securities. Our funding considerations are reflected in the fact that we determine the economic terms of the securities based on an assumed funding rate that is generally lower than our secondary market rates. If the costs relating to selling, structuring, hedging and issuing the securities were lower, or if the assumed funding rate we use to determine the economic terms of the securities

were higher, the economic terms of the securities would be more favorable to you and the estimated value would be higher.

The Estimated Value Of The Securities Is Determined By Our Affiliate s Pricing Models, Which May Differ From Those Of Other Dealers.

The estimated value of the securities was determined for us by WFS using its proprietary pricing models and related market inputs and assumptions referred to above under Investment Description Determining the estimated value. Certain inputs to these models may be determined by WFS in its discretion. WFS s views on these inputs may differ from other dealers views, and WFS s estimated value of the securities may be higher, and perhaps materially higher, than the estimated value of the securities that would be determined by other dealers in the market. WFS s models and its inputs and related assumptions may prove to be wrong and therefore not an accurate reflection of the value of the securities.

The Estimated Value Of The Securities Is Not An Indication Of The Price, If Any, At Which WFS Or Any Other Person May Be Willing To Buy The Securities From You In The Secondary Market.

The price, if any, at which WFS or any of its affiliates may purchase the securities in the secondary market will be based on WFS s proprietary pricing models and will fluctuate over the term of the securities as a result of changes in the market and other factors described in the next risk factor. Any such secondary market price for the securities will also be reduced by a bid-offer spread, which may vary depending on the aggregate face amount of the securities to be purchased in the secondary market transaction, and the expected cost of unwinding any related hedging transactions. Unless the factors described in the next risk factor change significantly in your favor, any such secondary market price for the securities is likely to be less than the original offering price.

If WFS or any of its affiliates makes a secondary market in the securities at any time up to the issue date or during the 6-month period following the issue date, the secondary market price offered by WFS or any of its affiliates will be increased by an amount reflecting a portion of the costs associated with selling, structuring, hedging and issuing the securities that are included in the original offering price. Because this portion of the costs is not fully deducted upon issuance, any secondary market price offered by WFS or any of its affiliates during this period will be higher than it would be if it were based solely on WFS s proprietary pricing models less the bid-offer spread and hedging unwind costs described above. The amount of this increase in the secondary market price will decline steadily to zero over this 6-month period. If you hold the securities through an account at WFS or any of its affiliates, we expect that

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Risk Factors (Continued)

this increase will also be reflected in the value indicated for the securities on your brokerage account statement. If you hold your securities through an account at a broker-dealer other than WFS or any of its affiliates, the value of the securities on your brokerage account statement may be different than if you held your securities at WFS or any of its affiliates, as discussed above under Investment Description.

The Value Of The Securities Prior To Stated Maturity Will Be Affected By Numerous Factors, Some Of Which Are Related In Complex Ways.

The value of the securities prior to stated maturity will be affected by the level of each Index at that time, interest rates at that time and a number of other factors, some of which are interrelated in complex ways. The effect of any one factor may be offset or magnified by the effect of another factor. The following factors, which we refer to as the derivative component factors, are expected to affect the value of the securities. When we refer to the value of your security, we mean the value you could receive for your security if you are able to sell it in the open market before the stated maturity date.

Performance of the Indices. The value of the securities prior to maturity will depend substantially on the level of each Index. The price at which you may be able to sell the securities before stated maturity may be at a discount, which could be substantial, from their original offering price, if the level of the lowest performing Index at such time is less than, equal to or not sufficiently above its starting level, its coupon threshold level or its downside threshold level.

Interest Rates. The value of the securities may be affected by changes in the interest rates in the U.S. markets.

Volatility Of The Indices. Volatility is the term used to describe the size and frequency of market fluctuations. The value of the securities may be affected if the volatility of the Indices changes.

Correlation Among The Indices. Correlation refers to the extent to which the levels of the Indices tend to fluctuate at the same time, in the same direction and in similar magnitudes. The correlation among the Indices may be positive, zero or negative. The value of the securities is likely to decrease if the correlation among the Indices decreases.

Time Remaining To Maturity. The value of the securities at any given time prior to maturity will likely be different from that which would be expected based on the then-current levels of the Indices. This difference will most likely reflect a discount due to expectations and uncertainty concerning the levels of the Indices during the period of time still remaining to the stated maturity date.

Dividend Yields On Securities Included In The Indices. The value of the securities may be affected by the dividend yields on securities included in the Indices.

Volatility Of Currency Exchange Rates. Since the level of the EURO STOXX 50 Index is based on the value of its component stocks as expressed in a foreign currency, the value of the securities may be affected if the volatility of the exchange rate between the U.S. dollar and that foreign currency changes.

Correlation Between Currency Exchange Rates And The EURO STOXX 50 Index. Since the level of the EURO STOXX 50 Index is based on the value of its component stocks as expressed in a foreign currency, the value of the securities may be affected by changes in the correlation between the exchange rate between the U.S. dollar and that foreign currency and the EURO STOXX 50 Index.

In addition to the derivative component factors, the value of the securities will be affected by actual or anticipated changes in our creditworthiness, as reflected in our secondary market rates. The value of the securities will also be limited by our redemption right because if we redeem the securities, you will not receive the contingent coupon payments that would have accrued, if any, after the early redemption. You should understand that the impact of one of the factors specified above, such as a change in interest rates, may offset some or all of any change in the value of the securities attributable to another factor, such as a change in the level of any or all of the Indices. Because numerous factors are expected to affect the value of the securities, changes in the level of the Indices may not result in a comparable change in the value of the securities.

The Securities Will Not Be Listed On Any Securities Exchange And We Do Not Expect A Trading Market For The Securities To Develop.

The securities will not be listed or displayed on any securities exchange or any automated quotation system. Although the agent and/or its affiliates may purchase the securities from holders, they are not obligated to do so and are not required to make a market for the securities. There can be no assurance that a secondary market will develop. Because we do not expect that any market makers will participate in a secondary market for the securities, the price at which you may be able to sell your securities is likely to depend on the price, if any, at which the agent is willing to buy your securities.

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Risk Factors (Continued)

If a secondary market does exist, it may be limited. Accordingly, there may be a limited number of buyers if you decide to sell your securities prior to stated maturity. This may affect the price you receive upon such sale. Consequently, you should be willing to hold the securities to stated maturity.

Historical Levels Of The Indices Should Not Be Taken As An Indication Of The Future Performance Of The Indices During The Term Of The Securities.

The trading prices of the securities included in the Indices will determine the levels of the Indices and, therefore, the amount payable to you at maturity and whether contingent coupon payments will be made. As a result, it is impossible to predict whether the closing levels of the Indices will fall or rise compared to their respective starting levels. Trading prices of the securities included in the Indices will be influenced by complex and interrelated political, economic, financial and other factors that can affect the markets in which those securities are traded and the values of those securities themselves. Accordingly, any historical levels of the Indices do not provide an indication of the future performance of the Indices.

Changes That Affect The Indices May Adversely Affect The Value Of The Securities And The Amount You Will Receive At Stated Maturity.

The policies of an index sponsor concerning the calculation of the relevant Index and the addition, deletion or substitution of securities comprising such Index and the manner in which an index sponsor takes account of certain changes affecting such securities may affect the level of such Index and, therefore, may affect the value of the securities, the amount payable at maturity and whether contingent coupon payments will be made. An index sponsor may discontinue or suspend calculation or dissemination of the relevant Index or materially alter the methodology by which it calculates such Index. Any such actions could adversely affect the value of the securities.

We Cannot Control Actions By Any Of The Unaffiliated Companies Whose Securities Are Included In The Indices.

Actions by any company whose securities are included in an Index may have an adverse effect on the price of its security, the closing level of such Index on any calculation day, the ending level of such Index and the value of the securities. We are one of the companies included in the S&P 500 Index, but we are not affiliated with any of the other companies included in any Index. These companies will not be involved in the offering of the securities and will have no obligations with respect to the securities, including any obligation to take our or your interests into consideration for any reason. These companies will not receive any of the proceeds of the offering of the securities and will not be responsible for, and will not have participated in, the determination of the timing of, prices for, or quantities of, the securities to be issued. These companies will not be involved with the

administration, marketing or trading of the securities and will have no obligations with respect to any amounts to be paid to you on the securities.

We And Our Affiliates Have No Affiliation With Any Index Sponsor And Have Not Independently Verified Their Public Disclosure Of Information.

We and our affiliates are not affiliated in any way with any index sponsor and have no ability to control or predict their actions, including any errors in or discontinuation of disclosure regarding the methods or policies relating to the calculation of the applicable Index. We have derived the information about the index sponsors and the Indices contained in this pricing supplement and the accompanying market measure supplement from publicly available information, without independent verification. You, as an investor in the securities, should make your own investigation into each Index and the index sponsors. The index sponsors are not involved in the offering of the securities made hereby in any way and have no obligation to consider your interest as an owner of the securities in taking any actions that might affect the value of the securities.

An Investment In The Securities Is Subject To Risks Associated With Investing In Stocks With A Small Market Capitalization.

The stocks that constitute the Russell 2000 Index are issued by companies with relatively small market capitalization. These companies often have greater stock price volatility, lower trading volume and less liquidity than large capitalization companies. As a result, the Russell 2000 Index may be more volatile than that of an equity index that does not track solely small capitalization stocks. Stock prices of small capitalization companies are also generally more vulnerable than those of large capitalization companies to adverse business and economic developments, and the stocks of small capitalization companies may be thinly traded, and be less attractive to many investors if they do not pay dividends. In addition, small capitalization companies are typically less well-established and less stable financially than large capitalization companies and may depend on a small number of key personnel, making them more vulnerable to loss of those individuals. Small capitalization companies tend to have lower revenues, less diverse product lines, smaller shares of their target markets, fewer financial resources and fewer competitive strengths than large capitalization companies. These companies may also be more susceptible to adverse developments related to their products or services.

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Risk Factors (Continued)

An Investment In The Securities Is Subject To Risks Associated With Foreign Securities Markets.

The EURO STOXX 50 Index includes the stocks of foreign companies and you should be aware that investments in securities linked to the value of foreign equity securities involve particular risks. Foreign securities markets may have less liquidity and may be more volatile than the U.S. securities markets, and market developments may affect foreign markets differently than U.S. securities markets. Direct or indirect government intervention to stabilize a foreign securities market, as well as cross-shareholdings in foreign companies, may affect trading prices and volumes in those markets. Also, there is generally less publicly available information about non-U.S. companies that are not subject to the reporting requirements of the Securities and Exchange Commission, and non-U.S. companies are subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies.

The prices and performance of securities of non-U.S. companies are subject to political, economic, financial, military and social factors which could negatively affect foreign securities markets, including the possibility of recent or future changes in a foreign government's economic, monetary and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions applicable to foreign companies or investments in foreign equity securities, the possibility of imposition of withholding taxes on dividend income, the possibility of fluctuations in the rate of exchange between currencies, the possibility of outbreaks of hostility or political instability and the possibility of natural disaster or adverse public health developments. Moreover, the relevant non-U.S. economies may differ favorably or unfavorably from the U.S. economy in important respects, such as growth of gross national product, rate of inflation, trade surpluses or deficits, capital reinvestment, resources and self-sufficiency.

The stocks included in the EURO STOXX 50 Index may be listed on a foreign stock exchange. A foreign stock exchange may impose trading limitations intended to prevent extreme fluctuations in individual security prices and may suspend trading in certain circumstances. These actions could limit variations in the closing level of the EURO STOXX 50 Index which could, in turn, adversely affect the value of the securities.

A Contingent Coupon Payment Date, An Optional Redemption Date And The Stated Maturity Date May Be Postponed If A Calculation Day Is Postponed.

A calculation day (including the final calculation day) with respect to an Index will be postponed if the applicable originally scheduled calculation day is not a trading day with respect to any Index or if the calculation agent determines that a market disruption event has occurred or is continuing with respect to that Index on that calculation day. If such a postponement occurs with respect to a calculation day other than the final calculation day, then the related contingent coupon payment date or optional redemption date, as applicable, will be postponed. If such a postponement occurs with respect to the final calculation day, the stated maturity date will

be the later of (i) the initial stated maturity date and (ii) three business days after the last final calculation day as postponed.

Our Economic Interests And Those Of Any Dealer Participating In The Offering Are Potentially Adverse To Your Interests.

You should be aware of the following ways in which our economic interests and those of any dealer participating in the distribution of the securities, which we refer to as a participating dealer, are potentially adverse to your interests as an investor in the securities. In engaging in certain of the activities described below, our affiliates or any participating dealer or its affiliates may take actions that may adversely affect the value of and your return on the securities, and in so doing they will have no obligation to consider your interests as an investor in the securities. Our affiliates or any participating dealer or its affiliates may realize a profit from these activities even if investors do not receive a favorable investment return on the securities.

We will exercise our rights under the securities without taking your interests into account. We may, at our option, redeem the securities on any contingent coupon payment date beginning approximately one year after issuance. Any redemption of the securities will be at our option and will not automatically occur based on the performance of any Index. As described under Risk Factors Our Redemption Right May Limit Your Potential To Receive Contingent Coupon Payments above, we are more likely to redeem the securities at a time when it would otherwise be advantageous for you to continue to hold the securities, and we are less likely to redeem the securities at a time when it would otherwise be advantageous to you for us to exercise our redemption right.

The calculation agent is our affiliate and may be required to make discretionary judgments that affect the return you receive on the securities. WFS, which is our affiliate, will be the calculation agent for the securities. As calculation agent, WFS will determine the closing level of each Index on each calculation day, the ending level of each Index and whether you receive a contingent coupon payment on a contingent coupon payment date and may be required to make other determinations that affect the return you receive on the securities. In making these determinations, the calculation agent may be required to make discretionary judgments, including determining whether a market disruption event has occurred with respect to any Index on a scheduled calculation day, which may result in postponement of that calculation day with respect to that Index; determining the closing level of an Index if a calculation day is postponed with respect to that Index to the last

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Risk Factors (Continued)

day to which it may be postponed and a market disruption event occurs with respect to that Index on that day; if an Index is discontinued, selecting a successor index or, if no successor index is available, determining the closing level of that Index on any calculation day and the ending level of that Index; and determining whether to adjust the closing level of an Index on a calculation day in the event of certain changes in or modifications to that Index. In making these discretionary judgments, the fact that WFS is our affiliate may cause it to have economic interests that are adverse to your interests as an investor in the securities, and WFS's determinations as calculation agent may adversely affect your return on the securities.

The estimated value of the securities was calculated by our affiliate and is therefore not an independent third-party valuation. WFS calculated the estimated value of the securities set forth on the cover page of this pricing supplement, which involved discretionary judgments by WFS, as described under "Risk Factors—The Estimated Value Of The Securities Is Determined By Our Affiliate's Pricing Models, Which May Differ From Those Of Other Dealers" above. Accordingly, the estimated value of the securities set forth on the cover page of this pricing supplement is not an independent third-party valuation.

Research reports by our affiliates or any participating dealer or its affiliates may be inconsistent with an investment in the securities and may adversely affect the levels of the Indices. Our affiliates or any participating dealer in the offering of the securities or its affiliates may, at present or in the future, publish research reports on the Indices or the companies whose securities are included in an Index. This research is modified from time to time without notice and may, at present or in the future, express opinions or provide recommendations that are inconsistent with purchasing or holding the securities. Any research reports on the Indices or the companies whose securities are included in an Index could adversely affect the level of the applicable Index and, therefore, could adversely affect the value of and your return on the securities. You are encouraged to derive information concerning the Indices from multiple sources and should not rely on the views expressed by us or our affiliates or any participating dealer or its affiliates. In addition, any research reports on the Indices or the companies whose securities are included in an Index published on or prior to the pricing date could result in an increase in the levels of the Indices on the pricing date, which would adversely affect investors in the securities by increasing the level at which each Index must close on each calculation day (including the final calculation day) in order for investors in the securities to receive a favorable return.

Business activities of our affiliates or any participating dealer or its affiliates with the companies whose securities are included in an Index may adversely affect the level of such Index. Our affiliates or any participating dealer or its affiliates may, at present or in the future, engage in business with the companies whose securities are included in an Index, including making loans to those companies (including exercising creditors' remedies with respect to such loans), making equity investments in those companies or providing investment banking, asset management or other advisory services to those companies. These business activities could adversely affect the level of such Index and, therefore, could adversely affect the value of and your return on the securities. In addition, in the course of these business activities, our affiliates or any participating dealer or its affiliates may acquire non-public information about one or more of the companies whose securities are included in an Index. If our affiliates or any participating dealer or its affiliates do acquire such non-public information, we and they are not obligated to disclose such non-public information to you.

Hedging activities by our affiliates or any participating dealer or its affiliates may adversely affect the levels of the Indices. We expect to hedge our obligations under the securities through one or more hedge counterparties, which may include our affiliates or any participating dealer or its affiliates. Pursuant to such hedging activities, our hedge counterparties may acquire securities included in an Index or listed or over-the-counter derivative or synthetic instruments related to the Indices or such securities. Depending on, among other things, future market conditions, the aggregate amount and the composition of such positions are likely to vary over time. To the extent that our hedge counterparties have a long hedge position in any of the securities included in an Index, or derivative or synthetic instruments related to the Indices or such securities, they may liquidate a portion of such holdings at or about the time of a calculation day or at or about the time of a change in the securities included in the Indices. These hedging activities could potentially adversely affect the levels of the Indices and, therefore, could adversely affect the value of and your return on the securities.

Trading activities by our affiliates or any participating dealer or its affiliates may adversely affect the levels of the Indices. Our affiliates or any participating dealer or its affiliates may engage in trading in the securities included in an Index and other instruments relating to the Indices or such securities on a regular basis as part of their general broker-dealer and other businesses. Any of these trading activities could potentially adversely affect the levels of the Indices and, therefore, could adversely affect the value of and your return on the securities.

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Risk Factors (Continued)

A participating dealer or its affiliates may realize hedging profits projected by its proprietary pricing models in addition to any selling concession, creating a further incentive for the participating dealer to sell the securities to you. If any participating dealer or any of its affiliates conducts hedging activities for us in connection with the securities, that participating dealer or its affiliates will expect to realize a projected profit from such hedging activities and this projected profit will be in addition to any concession that the participating dealer realizes for the sale of the securities to you. This additional projected profit may create a further incentive for the participating dealer to sell the securities to you.

The U.S. Federal Tax Consequences Of An Investment In The Securities Are Unclear.

There is no direct legal authority as to the proper U.S. federal tax treatment of the securities, and we do not intend to request a ruling from the Internal Revenue Service (the IRS). Consequently, significant aspects of the tax treatment of the securities are uncertain, and the IRS or a court might not agree with the treatment of the securities as described in this pricing supplement under United States Federal Tax Considerations. If the IRS were successful in asserting an alternative treatment, the tax consequences of ownership and disposition of the securities might be materially and adversely affected.

Non-U.S. holders should note that persons having withholding responsibility in respect of the securities may withhold on any coupon payment paid to a non-U.S. holder, generally at a rate of 30%. To the extent that we have withholding responsibility in respect of the securities, we intend to so withhold.

In addition, Section 871(m) of the Internal Revenue Code of 1986, as amended (the Code), imposes a withholding tax of up to 30% on dividend equivalents paid or deemed paid to non-U.S. investors in respect of certain financial instruments linked to U.S. equities. In light of IRS regulations providing a general exemption for financial instruments issued in 2017 that do not have a delta of one, the securities should not be subject to withholding under Section 871(m). However, the IRS could challenge this conclusion.

We will not be required to pay any additional amounts with respect to amounts withheld.

You should read carefully the discussion under United States Federal Tax Considerations in this pricing supplement and consult your tax adviser regarding the U.S. federal tax consequences of an investment in the securities.

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If we redeem the securities prior to stated maturity, you will receive the original offering price of your securities plus a final contingent coupon payment, if any, on the applicable optional redemption date. In the event we redeem the securities prior to stated maturity, your total return on the securities will equal any contingent coupon payments received prior to the applicable optional redemption date and the contingent coupon payment received on such optional redemption date, if any.

If we do not redeem the securities prior to stated maturity:

If we do not redeem the securities prior to stated maturity, the following table illustrates, for a range of hypothetical performance factors of the lowest performing Index on the final calculation day, the hypothetical redemption amount payable at stated maturity per security (excluding the final contingent coupon payment, if any). The performance factor of the lowest performing Index on the final calculation day is its ending level expressed as a percentage of its starting level (i.e., its ending level *divided by* its starting level).

Hypothetical performance factor of lowest performing Index on final calculation day	Hypothetical payment at stated maturity per security
175.00%	\$1,000.00
160.00%	\$1,000.00
150.00%	\$1,000.00
140.00%	\$1,000.00
130.00%	\$1,000.00
120.00%	\$1,000.00
110.00%	\$1,000.00
100.00%	\$1,000.00
90.00%	\$1,000.00
80.00%	\$1,000.00
70.00%	\$1,000.00
60.00%	\$1,000.00
59.00%	\$590.00
50.00%	\$500.00
40.00%	\$400.00
25.00%	\$250.00

The above figures do not take into account contingent coupon payments, if any, received during the term of the securities. As evidenced above, in no event will you have a positive rate of return based solely on the redemption amount received at maturity; any positive return will be based solely on the contingent coupon payments, if any, received during the term of the securities.

The above figures are for purposes of illustration only and may have been rounded for ease of analysis. If we do not redeem the securities prior to stated maturity, the actual amount you will receive at stated maturity will depend on the actual ending level of the lowest performing Index on the final calculation day. The performance of the better performing Indices is not relevant to your return on the securities.

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Set forth below are two examples that illustrate how to determine whether a contingent coupon payment will be paid on a quarterly contingent coupon payment date. The examples do not reflect any specific quarterly contingent coupon payment date. The following examples assume the hypothetical starting level, coupon threshold level and closing levels for each Index indicated in the examples. The terms used for purposes of these hypothetical examples do not represent any actual starting level or coupon threshold level. The hypothetical starting level of 100.00 for each Index has been chosen for illustrative purposes only and does not represent the actual starting level for any Index. The actual starting level and coupon threshold level for each Index are set forth under Terms of the Securities above. For historical data regarding the actual closing levels of the Indices, see the historical information set forth under the sections titled The S&P 500[®] Index, The Russell 2000[®] Index and The EURO STOXX 50[®] Index below. These examples are for purposes of illustration only and the values used in the examples may have been rounded for ease of analysis. If we were to redeem the securities on the relevant contingent coupon payment date in either of the examples below, you would receive the original offering price on the contingent coupon payment date in addition to the contingent coupon payment, if any.

Example 1. The closing level of the lowest performing Index on the relevant calculation day is greater than or equal to its coupon threshold level. As a result, investors receive a contingent coupon payment on the applicable quarterly contingent coupon payment date.

	S&P 500 Index	Russell 2000 Index	EURO STOXX 50 Index
Hypothetical starting level:	100.00	100.00	100.00
Hypothetical closing level on relevant calculation day:	90.00	95.00	80.00
Hypothetical coupon threshold level:	75.00	75.00	75.00
Performance factor (closing level on calculation day <i>divided by</i> starting level):	90.00%	95.00%	80.00%

Step 1: Determine which Index is the lowest performing Index on the relevant calculation day.

In this example, the EURO STOXX 50 Index has the lowest performance factor and is, therefore, the lowest performing Index on the relevant calculation day.

Step 2: Determine whether a contingent coupon payment will be paid on the applicable quarterly contingent coupon payment date.

Since the hypothetical closing level of the lowest performing Index on the relevant calculation day is greater than or equal to its coupon threshold level, you would receive a contingent coupon payment on the applicable

contingent coupon payment date. The contingent coupon payment would be equal to \$25.00 per security, which is the product of $\$1,000 \times 10.00\% \text{ per annum} \times (90/360)$, rounded to the nearest cent.

Example 2. The closing level of the lowest performing Index on the relevant calculation day is less than its coupon threshold level. As a result, investors do not receive a contingent coupon payment on the applicable quarterly contingent coupon payment date.

	S&P 500 Index	Russell 2000 Index	EURO STOXX 50 Index
Hypothetical starting level:	100.00	100.00	100.00
Hypothetical closing level on relevant calculation day:	74.00	125.00	105.00
Hypothetical coupon threshold level:	75.00	75.00	75.00
Performance factor (closing level on calculation day <i>divided by</i> starting level):	74.00%	125.00%	105.00%

Step 1: Determine which Index is the lowest performing Index on the relevant calculation day.

In this example, the S&P 500 Index has the lowest performance factor and is, therefore, the lowest performing Index on the relevant calculation day.

Step 2: Determine whether a contingent coupon payment will be paid on the applicable quarterly contingent coupon payment date.

Since the hypothetical closing level of the lowest performing Index on the relevant calculation day is less than its coupon threshold level, you would not receive a contingent coupon payment on the applicable contingent coupon payment date. As this

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Hypothetical Contingent Coupon Payments (Continued)

example illustrates, whether you receive a contingent coupon payment on a quarterly contingent coupon payment date will depend solely on the closing level of the lowest performing Index on the relevant calculation day. The performance of the better performing Indices is not relevant to your return on the securities.

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Market Linked Securities Callable with Contingent Coupon and**Contingent Downside****Principal at Risk Securities Linked to the Lowest Performing of the S&P 500[®] Index, the Russell****2000[®] Index and the EURO STOXX 50[®] Index due December 30, 2027****Hypothetical Payment at Stated Maturity**

Set forth below are four examples of calculations of the redemption amount payable at stated maturity, assuming that we have not redeemed the securities prior to stated maturity and assuming the hypothetical starting level, coupon threshold level, downside threshold level and ending levels for each Index indicated in the examples. The terms used for purposes of these hypothetical examples do not represent any actual starting level, coupon threshold level or downside threshold level. The hypothetical starting level of 100.00 for each Index has been chosen for illustrative purposes only and does not represent the actual starting level for any Index. The actual starting level, coupon threshold level and downside threshold level for each Index are set forth under Terms of the Securities above. For historical data regarding the actual closing levels of the Indices, see the historical information set forth under the sections titled The S&P 500[®] Index, The Russell 2000[®] Index and The EURO STOXX 50[®] Index below. These examples are for purposes of illustration only and the values used in the examples may have been rounded for ease of analysis.

Example 1. The ending level of the lowest performing Index on the final calculation day is greater than its starting level, the redemption amount is equal to the original offering price of your securities at maturity and you receive a final contingent coupon payment:

	S&P 500 Index	Russell 2000 Index	EURO STOXX 50 Index
Hypothetical starting level:	100.00	100.00	100.00
Hypothetical ending level:	145.00	135.00	125.00
Hypothetical coupon threshold level:	75.00	75.00	75.00
Hypothetical downside threshold level:	60.00	60.00	60.00
Performance factor (ending level <i>divided by</i> starting level):	145.00%	135.00%	125.00%

Step 1: Determine which Index is the lowest performing Index on the final calculation day.

In this example, the EURO STOXX 50 Index has the lowest performance factor and is, therefore, the lowest performing Index on the final calculation day.

Step 2: Determine the redemption amount based on the ending level of the lowest performing Index on the final calculation day.

Since the hypothetical ending level of the lowest performing Index on the final calculation day is greater than its hypothetical downside threshold level, the redemption amount would equal the original offering price. Although the hypothetical ending level of the lowest performing Index on the final calculation day is significantly greater than its hypothetical starting level in this scenario, the redemption amount will not exceed the original offering price.

In addition to any contingent coupon payments received during the term of the securities, on the stated maturity date you would receive \$1,000 per security as well as a final contingent coupon payment.

Example 2. The ending level of the lowest performing Index on the final calculation day is less than its starting level but greater than its downside threshold level and its coupon threshold level, the redemption amount is equal to the original offering price of your securities at maturity and you receive a final contingent coupon payment:

	S&P 500 Index	Russell 2000 Index	EURO STOXX 50 Index
Hypothetical starting level:	100.00	100.00	100.00
Hypothetical ending level:	80.00	115.00	110.00
Hypothetical coupon threshold level:	75.00	75.00	75.00
Hypothetical downside threshold level:	60.00	60.00	60.00
Performance factor (ending level <i>divided by</i> starting level):	80.00%	115.00%	110.00%

Step 1: Determine which Index is the lowest performing Index on the final calculation day.

In this example, the S&P 500 Index has the lowest performance factor and is, therefore, the lowest performing Index on the final calculation day.

Step 2: Determine the redemption amount based on the ending level of the lowest performing Index on the final calculation day.

Since the hypothetical ending level of the lowest performing Index is less than its hypothetical starting level, but not by more than 40%, you would be repaid the original offering price of your securities at maturity.

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Hypothetical Payment at Stated Maturity (Continued)

In addition to any contingent coupon payments received during the term of the securities, on the stated maturity date you would receive \$1,000 per security as well as a final contingent coupon payment.

Example 3. The ending level of the lowest performing Index on the final calculation day is less than its starting level and its coupon threshold level but greater than its downside threshold level and the redemption amount is equal to the original offering price of your securities at maturity, but you will not receive a final contingent coupon payment:

	S&P 500 Index	Russell 2000 Index	EURO STOXX 50 Index
Hypothetical starting level:	100.00	100.00	100.00
Hypothetical ending level:	70.00	110.00	90.00
Hypothetical coupon threshold level:	75.00	75.00	75.00
Hypothetical downside threshold level:	60.00	60.00	60.00
Performance factor (ending level <i>divided by</i> starting level):	70.00%	110.00%	90.00%

Step 1: Determine which Index is the lowest performing Index on the final calculation day.

In this example, the S&P 500 Index has the lowest performance factor and is, therefore, the lowest performing Index on the final calculation day.

Step 2: Determine the redemption amount based on the ending level of the lowest performing Index on the final calculation day.

Since the hypothetical ending level of the lowest performing Index is less than its hypothetical starting level, but not by more than 40%, you would be repaid the original offering price of your securities at maturity.

In addition to any contingent coupon payments received during the term of the securities, on the stated maturity date you would receive \$1,000 per security. However, because the hypothetical ending level of the lowest performing Index is less than its coupon threshold level, you will not receive a final contingent coupon payment.

Example 4. The ending level of the lowest performing Index on the final calculation day is less than its downside threshold level, the redemption amount is less than the original offering price of your securities at maturity and you do not receive a final contingent coupon payment:

	S&P 500 Index	Russell 2000 Index	EURO STOXX 50 Index
Hypothetical starting level:	100.00	100.00	100.00
Hypothetical ending level:	120.00	45.00	90.00
Hypothetical coupon threshold level:	75.00	75.00	75.00
Hypothetical downside threshold level:	60.00	60.00	60.00
Performance factor (ending level <i>divided by</i> starting level):	120.00%	45.00%	90.00%

Step 1: Determine which Index is the lowest performing Index on the final calculation day.

In this example, the Russell 2000 Index has the lowest performance factor and is, therefore, the lowest performing Index on the final calculation day.

Step 2: Determine the redemption amount based on the ending level of the lowest performing Index on the final calculation day.

Since the hypothetical ending level of the lowest performing Index on the final calculation day is less than its hypothetical starting level by more than 40%, you would lose a portion of the original offering price of your securities and receive the redemption amount equal to \$450.00 per security, calculated as follows:

= \$1,000 × performance factor of the lowest performing Index on the final calculation day

= \$1,000 × 45.00%

= \$450.00

In addition to any contingent coupon payments received during the term of the securities, on the stated maturity date you would receive \$450.00 per security, but no final contingent coupon payment.

These examples illustrate that you will not participate in any appreciation of any Index, but will be fully exposed to a decrease in the lowest performing Index if the ending level of the lowest performing Index on the final calculation day is less than its downside

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Hypothetical Payment at Stated Maturity (Continued)

threshold level, even if the ending levels of the other Indices have appreciated or have not declined below their respective downside threshold level.

To the extent that the starting level, coupon threshold level, downside threshold level and ending level of the lowest performing Index differ from the values assumed above, the results indicated above would be different.

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Additional Terms of the Securities

Wells Fargo will issue the securities as part of a series of senior unsecured debt securities entitled Medium-Term Notes, Series K, which is more fully described in the prospectus supplement. Information included in this pricing supplement supersedes information in the market measure supplement, prospectus supplement and prospectus to the extent that it is different from that information.

Certain Definitions

A trading day with respect to the S&P 500 Index or the Russell 2000 Index means a day, as determined by the calculation agent, on which (i) the relevant stock exchanges with respect to each security underlying such Index are scheduled to be open for trading for their respective regular trading sessions and (ii) each related futures or options exchange with respect to such Index is scheduled to be open for trading for its regular trading session.

A trading day with respect to the EURO STOXX 50 Index means a day, as determined by the calculation agent, on which (i) the relevant index sponsor is scheduled to publish the level of the EURO STOXX 50 Index and (ii) each related futures or options exchange is scheduled to be open for trading for its regular trading session.

The relevant stock exchange for any security underlying an Index means the primary exchange or quotation system on which such security is traded, as determined by the calculation agent.

The related futures or options exchange for an Index means an exchange or quotation system where trading has a material effect (as determined by the calculation agent) on the overall market for futures or options contracts relating to such Index.

Calculation Agent

Wells Fargo Securities, LLC, one of our subsidiaries, will act as calculation agent for the securities and may appoint agents to assist it in the performance of its duties. Pursuant to a calculation agent agreement, we may appoint a different calculation agent without your consent and without notifying you.

The calculation agent will determine the amount of the payment you receive upon redemption or at stated maturity and the contingent coupon payments, if any. In addition, the calculation agent will, among other things:

determine whether a market disruption event has occurred;

determine the closing levels of the Indices under certain circumstances;

determine if adjustments are required to the closing level of an Index under various circumstances; and

if publication of an Index is discontinued, select a successor equity index (as defined below) or, if no successor equity index is available, determine the closing level of that Index.

All determinations made by the calculation agent will be at the sole discretion of the calculation agent and, in the absence of manifest error, will be conclusive for all purposes and binding on us and you. The calculation agent will have no liability for its determinations.

Market Disruption Events

A market disruption event with respect to the S&P 500 Index or the Russell 2000 Index means any of the following events as determined by the calculation agent in its sole discretion:

- (A) The occurrence or existence of a material suspension of or limitation imposed on trading by the relevant stock exchanges or otherwise relating to securities which then comprise 20% or more of the level of such Index or any successor equity index at any time during the one-hour period that ends at the close of trading on that day, whether by reason of movements in price exceeding limits permitted by those relevant stock exchanges or otherwise.
- (B) The occurrence or existence of a material suspension of or limitation imposed on trading by any related futures or options exchange or otherwise in futures or options contracts relating to such Index or any successor equity index on any related futures or options exchange at any time during the one-hour period that ends at the close of trading on that day, whether by reason of movements in price exceeding limits permitted by the related futures or options exchange or otherwise.
- (C) The occurrence or existence of any event, other than an early closure, that materially disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for, securities that then comprise 20% or more of the level of such Index or any successor equity index on their relevant stock exchanges at any time during the one-hour period that ends at the close of trading on that day.

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Additional Terms of the Securities (Continued)

- (D) The occurrence or existence of any event, other than an early closure, that materially disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for, futures or options contracts relating to such Index or any successor equity index on any related futures or options exchange at any time during the one-hour period that ends at the close of trading on that day.
- (E) The closure on any exchange business day of the relevant stock exchanges on which securities that then comprise 20% or more of the level of such Index or any successor equity index are traded or any related futures or options exchange with respect to such Index or any successor equity index prior to its scheduled closing time unless the earlier closing time is announced by the relevant stock exchange or related futures or options exchange, as applicable, at least one hour prior to the earlier of (1) the actual closing time for the regular trading session on such relevant stock exchange or related futures or options exchange, as applicable, and (2) the submission deadline for orders to be entered into the relevant stock exchange or related futures or options exchange, as applicable, system for execution at such actual closing time on that day.
- (F) The relevant stock exchange for any security underlying such Index or successor equity index or any related futures or options exchange with respect to such Index or successor equity index fails to open for trading during its regular trading session.

For purposes of determining whether a market disruption event has occurred with respect to the S&P 500 Index or the Russell 2000 Index:

- (1) the relevant percentage contribution of a security to the level of such Index or any successor equity index will be based on a comparison of (x) the portion of the level of such Index attributable to that security and (y) the overall level of such Index or successor equity index, in each case immediately before the occurrence of the market disruption event;
- (2) the close of trading on any trading day for such Index or any successor equity index means the scheduled closing time of the relevant stock exchanges with respect to the securities underlying such Index or successor equity index on such trading day; provided that, if the actual closing time of the regular trading session of any such relevant stock exchange is earlier than its scheduled closing time on such trading day, then (x) for purposes of clauses (A) and (C) of the definition of market disruption event above, with respect to any security underlying such Index or successor equity index for which

such relevant stock exchange is its relevant stock exchange, the close of trading means such actual closing time and (y) for purposes of clauses (B) and (D) of the definition of market disruption event above, with respect to any futures or options contract relating to such Index or successor equity index, the close of trading means the latest actual closing time of the regular trading session of any of the relevant stock exchanges, but in no event later than the scheduled closing time of the relevant stock exchanges;

- (3) the scheduled closing time of any relevant stock exchange or related futures or options exchange on any trading day for such Index or any successor equity index means the scheduled weekday closing time of such relevant stock exchange or related futures or options exchange on such trading day, without regard to after hours or any other trading outside the regular trading session hours; and
- (4) an exchange business day means any trading day for such Index or any successor equity index on which each relevant stock exchange for the securities underlying such Index or any successor equity index and each related futures or options exchange with respect to such Index or any successor equity index are open for trading during their respective regular trading sessions, notwithstanding any such relevant stock exchange or related futures or options exchange closing prior to its scheduled closing time.

A market disruption event with respect to the EURO STOXX 50 Index means, any of (A), (B), (C) or (D) below, as determined by the calculation agent in its sole discretion:

- (A) Any of the following events occurs or exists with respect to any security included in such Index or any successor equity index, and the aggregate of all securities included in such Index or successor equity index with respect to which any such event occurs comprise 20% or more of the level of such Index or successor equity index:

a material suspension of or limitation imposed on trading by the relevant stock exchange for such security or otherwise at any time during the one-hour period that ends at the scheduled closing time for the relevant stock exchange for such security on that day, whether by reason of movements in price exceeding limits permitted by the relevant stock exchange or otherwise;

any event, other than an early closure, that materially disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for, such security on its relevant stock exchange at any time during the one-hour period that ends at the scheduled closing time for the relevant stock exchange for such

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Additional Terms of the Securities (Continued)

security on that day; or

the closure on any exchange business day of the relevant stock exchange for such security prior to its scheduled closing time unless the earlier closing is announced by such relevant stock exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such relevant stock exchange and (ii) the submission deadline for orders to be entered into the relevant stock exchange system for execution at the scheduled closing time for such relevant stock exchange on that day.

(B) Any of the following events occurs or exists with respect to futures or options contracts relating to such Index or any successor equity index:

a material suspension of or limitation imposed on trading by any related futures or options exchange or otherwise at any time during the one-hour period that ends at the close of trading on such related futures or options exchange on that day, whether by reason of movements in price exceeding limits permitted by the related futures or options exchange or otherwise;

any event, other than an early closure, that materially disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for, futures or options contracts relating to such Index or successor equity index on any related futures or options exchange at any time during the one-hour period that ends at the close of trading on such related futures or options exchange on that day; or

the closure on any exchange business day of any related futures or options exchange prior to its scheduled closing time unless the earlier closing time is announced by such related futures or options exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such related futures or options exchange and (ii) the submission deadline for orders to be entered into the related futures or options exchange system for execution at the close of trading for such related futures or options exchange on that day.

- (C) The relevant index sponsor fails to publish the level of such Index or any successor equity index (other than as a result of the relevant index sponsor having discontinued publication of such Index or successor equity Index and no successor index being available).

- (D) Any related futures or options exchange fails to open for trading during its regular trading session.

For purposes of determining whether a market disruption event has occurred with respect to the EURO STOXX 50 Index:

- (1) the relevant percentage contribution of a security included in such Index or any successor equity index to the level of such Index will be based on a comparison of (x) the portion of the level of such index attributable to that security to (y) the overall level of such index, in each case using the official opening weightings as published by the relevant index sponsor as part of the market opening data;
- (2) the scheduled closing time of any relevant stock exchange or related futures or options exchange on any trading day means the scheduled weekday closing time of such relevant stock exchange or related futures or options exchange on such trading day, without regard to after hours or any other trading outside the regular trading session hours; and
- (3) an exchange business day means any trading day on which (i) the relevant index sponsor publishes the level of such index or any successor equity index and (ii) each related futures or options exchange is open for trading during its regular trading session, notwithstanding any related futures or options exchange closing prior to its scheduled closing time.

If a market disruption event occurs or is continuing with respect to an Index on any calculation day, then such calculation day for such Index will be postponed to the first succeeding trading day for such Index on which a market disruption event for such Index has not occurred and is not continuing; however, if such first succeeding trading day has not occurred as of the eighth trading day for such Index after the originally scheduled calculation day, that eighth trading day shall be deemed to be the calculation day for such Index. If a calculation day has been postponed eight trading days for an Index after the originally scheduled calculation day and a market disruption event occurs or is continuing with respect to such Index on such eighth trading day, the calculation agent will determine the closing level of such Index on such eighth trading day in accordance with the formula for and method of calculating the closing level of such Index last in effect prior to commencement of the market disruption event, using the closing price (or, with respect to any relevant security, if a market disruption event has occurred with respect to such security, its good faith estimate of the value of such security at (i) with respect to the S&P 500 Index or the Russell 2000 Index, the scheduled closing time of the relevant stock exchange for such security or, if earlier, the actual closing time of the regular trading session of such relevant stock exchange or (ii) with respect to the EURO STOXX 50 Index, the time at which the official closing level of such Index is calculated and published by the relevant index sponsor) on such date of each security included in such Index. As used herein, closing price means, with respect to any

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Additional Terms of the Securities (Continued)

security on any date, the relevant stock exchange traded or quoted price of such security as of (i) with respect to the S&P 500 Index or the Russell 2000 Index, the scheduled closing time of the relevant stock exchange for such security or, if earlier, the actual closing time of the regular trading session of such relevant stock exchange or (ii) with respect to the EURO STOXX 50 Index, the time at which the official closing level of such Index is calculated and published by the relevant index sponsor. Notwithstanding the postponement of a calculation day for an Index due to a market disruption event with respect to such Index on such calculation day, the originally scheduled calculation day will remain the calculation day for any Index not affected by a market disruption event on such day.

Adjustments to an Index

If at any time a sponsor or publisher of an Index (each, an index sponsor) makes a material change in the formula for or the method of calculating such Index, or in any other way materially modifies such Index (other than a modification prescribed in that formula or method to maintain such Index in the event of changes in constituent stock and capitalization and other routine events), then, from and after that time, the calculation agent will, at the close of business in New York, New York, on each date that the closing level of such Index is to be calculated, calculate a substitute closing level of such Index in accordance with the formula for and method of calculating such Index last in effect prior to the change, but using only those securities that comprised such Index immediately prior to that change. Accordingly, if the method of calculating an Index is modified so that the level of such Index is a fraction or a multiple of what it would have been if it had not been modified, then the calculation agent will adjust such Index in order to arrive at a level of such Index as if it had not been modified.

Discontinuance of an Index

If an index sponsor discontinues publication of an Index, and such index sponsor or another entity publishes a successor or substitute equity index that the calculation agent determines, in its sole discretion, to be comparable to such Index (a successor equity index), then, upon the calculation agent's notification of that determination to the trustee and Wells Fargo, the calculation agent will substitute the successor equity index as calculated by the relevant index sponsor or any other entity for purposes of calculating the closing level of such Index on any date of determination. Upon any selection by the calculation agent of a successor equity index, Wells Fargo will cause notice to be given to holders of the securities.

In the event that an index sponsor discontinues publication of an Index prior to, and the discontinuance is continuing on, a calculation day and the calculation agent determines that no successor equity index is available at such time, the calculation agent will calculate a substitute closing level for such Index in accordance with the formula for and method of calculating such Index last in effect prior to the discontinuance, but using only those securities that comprised such Index immediately prior to that discontinuance. If a successor equity index is

selected or the calculation agent calculates a level as a substitute for such Index, the successor equity index or level will be used as a substitute for such Index for all purposes, including the purpose of determining whether a market disruption event exists.

If on a calculation day an index sponsor fails to calculate and announce the level of an Index, the calculation agent will calculate a substitute closing level of such Index in accordance with the formula for and method of calculating such Index last in effect prior to the failure, but using only those securities that comprised such Index immediately prior to that failure; *provided* that, if a market disruption event occurs or is continuing on such day with respect to such Index, then the provisions set forth above under **Market Disruption Events** shall apply in lieu of the foregoing.

Notwithstanding these alternative arrangements, discontinuance of the publication of, or the failure by the relevant index sponsor to calculate and announce the level of, an Index may adversely affect the value of the securities.

Events of Default and Acceleration

If an event of default with respect to the securities has occurred and is continuing, the amount payable to a holder of a security upon any acceleration permitted by the securities, with respect to each security, will be equal to the redemption amount, calculated as provided herein, plus a portion of a final contingent coupon payment, if any. The redemption amount and any final contingent coupon payment will be calculated as though the date of acceleration were the final calculation day. The final contingent coupon payment, if any, will be prorated from and including the immediately preceding contingent coupon payment date to but excluding the date of acceleration.

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Principal at Risk Securities Linked to the Lowest Performing of the S&P 500[®] Index, the Russell

2000[®] Index and the EURO STOXX 50[®] Index due December 30, 2027

The S&P 500[®] Index

The S&P 500 Index is an equity index that is intended to provide an indication of the pattern of common stock price movement in the large capitalization segment of the United States equity market. Wells Fargo & Company is one of the companies currently included in the S&P 500 Index. See Description of Equity Indices The S&P 500[®] Index in the accompanying market measure supplement for additional information about the S&P 500 Index. In addition to the criteria for addition to the S&P 500 Index set forth in the accompanying market measure supplement, a company must have a primary listing to its common stock on the NYSE, NYSE Arca, NYSE American, NASDAQ Global Select Market, NASDAQ Select Market, NASDAQ Capital Market, Bats BZX, Bats BYX, Bats EDGA, Bats EDGX or IEX. Companies included in the S&P 500 Index must have a market capitalization of \$6.1 billion or more (an increase from the previous market capitalization requirement of \$5.3 billion or more). As of July 31, 2017, the securities of companies with multiple share class structures are no longer eligible to be added to the S&P 500 Index, but securities already included in the S&P 500 Index have been grandfathered and are not affected by this change.

In addition, information about the S&P 500 Index may be obtained from other sources including, but not limited to, the S&P 500 Index sponsor's website (including information regarding the S&P 500 Index's sector weightings). We are not incorporating by reference into this pricing supplement the website or any material it includes. Neither we nor the agent makes any representation that such publicly available information regarding the S&P 500 Index is accurate or complete.

Historical Information

We obtained the closing levels of the S&P 500 Index listed below from Bloomberg Financial Markets, without independent verification.

The following graph sets forth daily closing levels of the S&P 500 Index for the period from January 1, 2007 to December 27, 2017. The closing level on December 27, 2017 was 2682.62. The historical performance of the S&P 500 Index should not be taken as an indication of the future performance of the S&P 500 Index during the term of the securities.

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The following table sets forth the high and low closing levels, as well as end-of-period closing levels, of the S&P 500 Index for each quarter in the period from January 1, 2007 through September 30, 2017 and for the period from October 1, 2017 to December 27, 2017.

	High	Low	Last
2007			
First Quarter	1459.68	1374.12	1420.86
Second Quarter	1539.18	1424.55	1503.35
Third Quarter	1553.08	1406.70	1526.75
Fourth Quarter	1565.15	1407.22	1468.36
2008			
First Quarter	1447.16	1273.37	1322.70
Second Quarter	1426.63	1278.38	1280.00
Third Quarter	1305.32	1106.39	1166.36
Fourth Quarter	1161.06	752.44	903.25
2009			
First Quarter	934.70	676.53	797.87
Second Quarter	946.21	811.08	919.32
Third Quarter	1071.66	879.13	1057.08
Fourth Quarter	1127.78	1025.21	1115.10
2010			
First Quarter	1174.17	1056.74	1169.43
Second Quarter	1217.28	1030.71	1030.71
Third Quarter	1148.67	1022.58	1141.20
Fourth Quarter	1259.78	1137.03	1257.64
2011			
First Quarter	1343.01	1256.88	1325.83
Second Quarter	1363.61	1265.42	1320.64
Third Quarter	1353.22	1119.46	1131.42
Fourth Quarter	1285.09	1099.23	1257.60
2012			
First Quarter	1416.51	1277.06	1408.47
Second Quarter	1419.04	1278.04	1362.16
Third Quarter	1465.77	1334.76	1440.67

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Fourth Quarter 2013	1461.40	1353.33	1426.19
First Quarter	1569.19	1457.15	1569.19
Second Quarter	1669.16	1541.61	1606.28
Third Quarter	1725.52	1614.08	1681.55
Fourth Quarter 2014	1848.36	1655.45	1848.36
First Quarter	1878.04	1741.89	1872.34
Second Quarter	1962.87	1815.69	1960.23
Third Quarter	2011.36	1909.57	1972.29
Fourth Quarter 2015	2090.57	1862.49	2058.90
First Quarter	2117.39	1992.67	2067.89
Second Quarter	2130.82	2057.64	2063.11
Third Quarter	2128.28	1867.61	1920.03
Fourth Quarter 2016	2109.79	1923.82	2043.94
First Quarter	2063.95	1829.08	2059.74
Second Quarter	2119.12	2000.54	2098.86
Third Quarter	2190.15	2088.55	2168.27
Fourth Quarter 2017	2271.72	2085.18	2238.83
First Quarter	2395.96	2257.83	2362.72
Second Quarter	2453.46	2328.95	2423.41
Third Quarter	2519.36	2409.75	2519.36
October 1, 2017 to December 27, 2017	2690.16	2529.12	2682.62

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**Principal at Risk Securities Linked to the Lowest Performing of the S&P 500[®] Index, the Russell
2000[®] Index and the EURO STOXX 50[®] Index due December 30, 2027**

The Russell 2000[®] Index

The Russell 2000 Index is an equity index that is designed to track the performance of the small capitalization segment of the United States equity market. The Russell 2000 Index was developed by Russell Investments before FTSE International Limited and Russell Investments combined in 2015 to create FTSE Russell, which is wholly owned by the London Stock Exchange Group. FTSE Russell is the index sponsor of the Russell 2000 Index. The information about the Russell 2000 Index contained herein updates the information included in the accompanying market measure supplement. See Description of Equity Indices The Russell 2000 Index in the accompanying market measure supplement for additional information about the Russell 2000 Index.

In addition, information about the Russell 2000 Index may be obtained from other sources including, but not limited to, the Russell 2000 Index sponsor's website (including information regarding the Russell 2000 Index's sector weightings). We are not incorporating by reference into this pricing supplement the website or any material it includes. Neither we nor the agent makes any representation that such publicly available information regarding the Russell 2000 Index is accurate or complete.

Historical Information

We obtained the closing levels of the Russell 2000 Index listed below from Bloomberg Financial Markets, without independent verification.

The following graph sets forth daily closing levels of the Russell 2000 Index for the period from January 1, 2007 to December 27, 2017. The closing level on December 27, 2017 was 1543.937. The historical performance of the Russell 2000 Index should not be taken as an indication of the future performance of the Russell 2000 Index during the term of the securities.

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The following table sets forth the high and low closing levels, as well as end-of-period closing levels, of the Russell 2000 Index for each quarter in the period from January 1, 2007 through September 30, 2017 and for the period from October 1, 2017 to December 27, 2017.

	High	Low	Last
2007			
First Quarter	829.458	760.081	800.729
Second Quarter	855.113	803.237	833.719
Third Quarter	855.794	751.544	805.450
Fourth Quarter	845.720	735.066	766.037
2008			
First Quarter	753.554	643.966	687.967
Second Quarter	763.266	686.073	689.659
Third Quarter	754.377	657.718	679.583
Fourth Quarter	671.590	385.308	499.453
2009			
First Quarter	514.710	343.260	422.748
Second Quarter	531.680	429.158	508.281
Third Quarter	620.695	479.267	604.278
Fourth Quarter	634.072	562.395	625.389
2010			
First Quarter	690.303	586.491	678.643
Second Quarter	741.922	609.486	609.486
Third Quarter	677.641	590.034	676.139
Fourth Quarter	792.347	669.450	783.647
2011			
First Quarter	843.548	773.184	843.548
Second Quarter	865.291	777.197	827.429
Third Quarter	858.113	643.421	644.156
Fourth Quarter	765.432	609.490	740.916
2012			
First Quarter	846.129	747.275	830.301
Second Quarter	840.626	737.241	798.487
Third Quarter	864.697	767.751	837.450

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Fourth Quarter 2013	852.494	769.483	849.349
First Quarter	953.068	872.605	951.542
Second Quarter	999.985	901.513	977.475
Third Quarter	1078.409	989.535	1073.786
Fourth Quarter 2014	1163.637	1043.459	1163.637
First Quarter	1208.651	1093.594	1173.038
Second Quarter	1192.964	1095.986	1192.964
Third Quarter	1208.150	1101.676	1101.676
Fourth Quarter 2015	1219.109	1049.303	1204.696
First Quarter	1266.373	1154.709	1252.772
Second Quarter	1295.799	1215.417	1253.947
Third Quarter	1273.328	1083.907	1100.688
Fourth Quarter 2016	1204.159	1097.552	1135.889
First Quarter	1114.028	953.715	1114.028
Second Quarter	1188.954	1089.646	1151.923
Third Quarter	1263.438	1139.453	1251.646
Fourth Quarter 2017	1388.073	1156.885	1357.130
First Quarter	1413.635	1345.598	1385.920
Second Quarter	1425.985	1345.244	1415.359
Third Quarter	1490.861	1356.905	1490.861
October 1, 2017 to December 27, 2017	1548.925	1464.095	1543.937

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Principal at Risk Securities Linked to the Lowest Performing of the S&P 500[®] Index, the Russell

2000[®] Index and the EURO STOXX 50[®] Index due December 30, 2027

The EURO STOXX 50[®] Index

The EURO STOXX 50 Index is an equity index that is composed of 50 component stocks of sector leaders in 11 Eurozone countries and is intended to provide an indication of the pattern of common stock price movement in the Eurozone. STOXX Limited has announced that, as of September 19, 2016, Greece is no longer classified as a developed market and therefore the EURO STOXX 50 Index no longer includes component stocks from Greece. The information about the EURO STOXX 50 Index contained herein updates the information included in the accompanying market measure supplement. See "Description of Equity Indices The EURO STOXX 50 Index" in the accompanying market measure supplement for additional information about the EURO STOXX 50 Index.

In addition, information about the EURO STOXX 50 Index may be obtained from other sources including, but not limited to, the EURO STOXX 50 Index sponsor's website (including information regarding (i) the EURO STOXX 50 Index's top ten constituents and their respective weightings, (ii) the EURO STOXX 50 Index's sector weightings and (iii) the EURO STOXX 50 Index's country weightings). We are not incorporating by reference into this pricing supplement the website or any material it includes. Neither we nor the agent makes any representation that such publicly available information regarding the EURO STOXX 50 Index is accurate or complete.

Historical Information

We obtained the closing levels of the EURO STOXX 50 Index listed below from Bloomberg Financial Markets, without independent verification.

The following graph sets forth daily closing levels of the EURO STOXX 50 Index for the period from January 1, 2007 to December 27, 2017. The closing level on December 27, 2017 was 3550.17. The historical performance of the EURO STOXX 50 Index should not be taken as an indication of the future performance of the EURO STOXX 50 Index during the term of the securities.

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The following table sets forth the high and low closing levels, as well as end-of-period closing levels, of the EURO STOXX 50 Index for each quarter in the period from January 1, 2007 through September 30, 2017 and for the period from October 1, 2017 to December 27, 2017.

	High	Low	Last
2007			
First Quarter	4272.32	3906.15	4181.03
Second Quarter	4556.97	4189.55	4489.77
Third Quarter	4557.57	4062.33	4381.71
Fourth Quarter	4489.79	4195.58	4399.72
2008			
First Quarter	4339.23	3431.82	3628.06
Second Quarter	3882.28	3340.27	3352.81
Third Quarter	3445.66	3000.83	3038.20
Fourth Quarter	3113.82	2165.91	2447.62
2009			
First Quarter	2578.43	1809.98	2071.13
Second Quarter	2537.35	2097.57	2401.69
Third Quarter	2899.12	2281.47	2872.63
Fourth Quarter	2992.08	2712.30	2964.96
2010			
First Quarter	3017.85	2631.64	2931.16
Second Quarter	3012.65	2488.50	2573.32
Third Quarter	2827.27	2507.83	2747.90
Fourth Quarter	2890.64	2650.99	2792.82
2011			
First Quarter	3068.00	2721.24	2910.91
Second Quarter	3011.25	2715.88	2848.53
Third Quarter	2875.67	1995.01	2179.66
Fourth Quarter	2476.92	2090.25	2316.55
2012			
First Quarter	2608.42	2286.45	2477.28
Second Quarter	2501.18	2068.66	2264.72
Third Quarter	2594.56	2151.54	2454.26

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Fourth Quarter 2013	2659.95	2427.32	2635.93
First Quarter	2749.27	2570.52	2624.02
Second Quarter	2835.87	2511.83	2602.59
Third Quarter	2936.20	2570.76	2893.15
Fourth Quarter 2014	3111.37	2902.12	3109.00
First Quarter	3172.43	2962.49	3161.60
Second Quarter	3314.80	3091.52	3228.24
Third Quarter	3289.75	3006.83	3225.93
Fourth Quarter 2015	3277.38	2874.65	3146.43
First Quarter	3731.35	3007.91	3697.38
Second Quarter	3828.78	3424.30	3424.30
Third Quarter	3686.58	3019.34	3100.67
Fourth Quarter 2016	3506.45	3069.05	3267.52
First Quarter	3178.01	2680.35	3004.93
Second Quarter	3151.69	2697.44	2864.74
Third Quarter	3091.66	2761.37	3002.24
Fourth Quarter 2017	3290.52	2954.53	3290.52
First Quarter	3500.93	3230.68	3500.93
Second Quarter	3658.79	3409.78	3441.88
Third Quarter	3594.85	3388.22	3594.85
October 1, 2017 to December 27, 2017	3697.40	3527.55	3550.17

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2000® Index and the EURO STOXX 50® Index due December 30, 2027

Benefit Plan Investor Considerations

Each fiduciary of a pension, profit-sharing or other employee benefit plan to which Title I of the Employee Retirement Income Security Act of 1974 (ERISA) applies (a plan), should consider the fiduciary standards of ERISA in the context of the plan's particular circumstances before authorizing an investment in the securities. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan. When we use the term holder in this section, we are referring to a beneficial owner of the securities and not the record holder.

Section 406 of ERISA and Section 4975 of the Code prohibit plans, as well as individual retirement accounts and Keogh plans to which Section 4975 of the Code applies (also plans), from engaging in specified transactions involving plan assets with persons who are parties in interest under ERISA or disqualified persons under the Code (collectively, parties in interest) with respect to such plan. A violation of those prohibited transaction rules may result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless statutory or administrative exemptive relief is available. Therefore, a fiduciary of a plan should also consider whether an investment in the securities might constitute or give rise to a prohibited transaction under ERISA and the Code.

Employee benefit plans that are governmental plans, as defined in Section 3(32) of ERISA, certain church plans, as defined in Section 3(33) of ERISA, and foreign plans, as described in Section 4(b)(4) of ERISA (collectively, Non-ERISA Arrangements), are not subject to the requirements of ERISA, or Section 4975 of the Code, but may be subject to similar rules under other applicable laws or regulations (Similar Laws).

We and our affiliates may each be considered a party in interest with respect to many plans. Special caution should be exercised, therefore, before the securities are purchased by a plan. In particular, the fiduciary of the plan should consider whether statutory or administrative exemptive relief is available. The U.S. Department of Labor has issued five prohibited transaction class exemptions (PTCEs) that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the securities. Those class exemptions are:

PTCE 96-23, for specified transactions determined by in-house asset managers;

PTCE 95-60, for specified transactions involving insurance company general accounts;

PTCE 91-38, for specified transactions involving bank collective investment funds;

PTCE 90-1, for specified transactions involving insurance company separate accounts; and

PTCE 84-14, for specified transactions determined by independent qualified professional asset managers.

In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide an exemption for transactions between a plan and a person who is a party in interest (other than a fiduciary who has or exercises any discretionary authority or control with respect to investment of the plan assets involved in the transaction or renders investment advice with respect thereto) solely by reason of providing services to the plan (or by reason of a relationship to such a service provider), if in connection with the transaction of the plan receives no less, and pays no more, than adequate consideration (within the meaning of Section 408(b)(17) of ERISA).

Any purchaser or holder of the securities or any interest in the securities will be deemed to have represented by its purchase and holding that either:

no portion of the assets used by such purchaser or holder to acquire or purchase the securities constitutes assets of any plan or Non-ERISA Arrangement; or

the purchase and holding of the securities by such purchaser or holder will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any Similar Laws.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the securities on behalf of or with plan assets of any plan consult with their counsel regarding the potential consequences under ERISA and the Code of the acquisition of the securities and the availability of exemptive relief.

The securities are contractual financial instruments. The financial exposure provided by the securities is not a substitute or proxy for, and is not intended as a substitute or proxy for, individualized investment management or advice for the benefit of any purchaser or holder of the securities. The securities have not been designed and will not be administered in a manner intended to reflect the individualized needs and objectives of any purchaser or holder of the securities.

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2000[®] Index and the EURO STOXX 50[®] Index due December 30, 2027**

Benefit Plan Investor Considerations (Continued)

Each purchaser or holder of the securities acknowledges and agrees that:

- (i) the purchaser or holder or its fiduciary has made and shall make all investment decisions for the purchaser or holder and the purchaser or holder has not relied and shall not rely in any way upon us or our affiliates to act as a fiduciary or adviser of the purchaser or holder with respect to (a) the design and terms of the securities, (b) the purchaser or holder's investment in the securities, or (c) the exercise of or failure to exercise any rights we have under or with respect to the securities;
- (ii) we and our affiliates have acted and will act solely for our own account in connection with (a) all transactions relating to the securities and (b) all hedging transactions in connection with our obligations under the securities;
- (iii) any and all assets and positions relating to hedging transactions by us or our affiliates are assets and positions of those entities and are not assets and positions held for the benefit of the purchaser or holder;
- (iv) our interests may be adverse to the interests of the purchaser or holder; and
- (v) neither we nor any of our affiliates is a fiduciary or adviser of the purchaser or holder in connection with any such assets, positions or transactions, and any information that we or any of our affiliates may provide is not intended to be impartial investment advice.

Purchasers of the securities have the exclusive responsibility for ensuring that their purchase, holding and subsequent disposition of the securities does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any Similar Law. Nothing herein shall be construed as a representation that an investment in the securities would be appropriate for, or would meet any or all of the relevant legal requirements with respect to investments by, plans or Non-ERISA Arrangements generally or any particular plan or Non-ERISA Arrangement.

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2000[®] Index and the EURO STOXX 50[®] Index due December 30, 2027**

United States Federal Tax Considerations

The following is a discussion of the material U.S. federal income and certain estate tax consequences of the ownership and disposition of the securities. It applies to you only if you purchase a security for cash at its stated principal amount and hold it as a capital asset within the meaning of Section 1221 of the Code. This discussion does not address all of the tax consequences that may be relevant to you in light of your particular circumstances or if you are a holder subject to special rules, such as:

a financial institution;

a regulated investment company ;

a real estate investment trust ;

a tax-exempt entity, including an individual retirement account or Roth IRA ;

a dealer or trader subject to a mark-to-market method of tax accounting with respect to the securities;

a person holding a security as part of a straddle or conversion transaction or who has entered into a constructive sale with respect to a security;

a U.S. holder (as defined below) whose functional currency is not the U.S. dollar; or

an entity classified as a partnership for U.S. federal income tax purposes.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds the securities, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partnership holding the securities or a partner in such a partnership, you should consult your tax adviser as to your particular U.S. federal tax consequences of holding and disposing of the securities.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date of this pricing supplement, changes to any of which subsequent

to the date of this pricing supplement may affect the tax consequences described herein, possibly with retroactive effect. This discussion does not address the effects of any applicable state, local or non-U.S. tax laws, any alternative minimum tax consequences or the potential application of the Medicare tax on investment income. You should consult your tax adviser concerning the application of the U.S. federal income and estate tax laws to your particular situation (including the possibility of alternative treatments of the securities), as well as any tax consequences arising under the laws of any state, local or non-U.S. jurisdiction.

Tax Treatment of the Securities

Due to the absence of statutory, judicial or administrative authorities that directly address the treatment of the securities or instruments that are similar to the securities for U.S. federal income tax purposes, no assurance can be given that the IRS or a court will agree with the tax treatment described herein. We intend to treat a security for U.S. federal income tax purposes as a prepaid derivative contract that provides for a coupon that will be treated as gross income to you at the time received or accrued in accordance with your regular method of tax accounting. In the opinion of our counsel, Davis Polk & Wardwell LLP, this treatment of the securities is reasonable under current law; however, our counsel has advised us that it is unable to conclude affirmatively that this treatment is more likely than not to be upheld, and that alternative treatments are possible.

You should consult your tax adviser regarding the U.S. federal tax consequences of an investment in the securities. Unless otherwise stated, the following discussion is based on the treatment of the securities as described in the previous paragraph.

Tax Consequences to U.S. Holders

This section applies only to U.S. holders. You are a U.S. holder if you are a beneficial owner of a security that is, for U.S. federal income tax purposes:

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a citizen or individual resident of the United States;

a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia; or

an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Tax Treatment of Coupon Payments. Any coupon payments on the securities should be taxable as ordinary income to you at the time received or accrued in accordance with your regular method of accounting for U.S. federal income tax purposes.

Sale, Exchange or Retirement of the Securities. Upon a sale, exchange or retirement of the securities, you should recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and your tax basis in the securities that are sold, exchanged or retired. For this purpose, the amount realized does not include any coupon paid at retirement and may not include sale proceeds attributable to an accrued coupon, which may be treated as a coupon payment. Your tax basis in the securities should equal the amount you paid to acquire them. This gain or loss should be long-term capital gain or loss if you have held the securities for more than one year at the time of the sale, exchange or retirement, and should be short-term capital gain or loss otherwise. The ordinary income treatment of the coupon payments, in conjunction with the capital loss treatment of any loss recognized upon the sale, exchange or settlement of the securities, could result in adverse tax consequences to holders of the securities because the deductibility of capital losses is subject to limitations.

Possible Alternative Tax Treatments of an Investment in the Securities. Alternative U.S. federal income tax treatments of the securities are possible that, if applied, could materially and adversely affect the timing and/or character of income, gain or loss with respect to them. It is possible, for example, that the securities could be treated as debt instruments governed by Treasury regulations relating to the taxation of contingent payment debt instruments. In that event, (i) regardless of your regular method of tax accounting, in each year that you held the securities you would be required to accrue income, subject to certain adjustments, based on our comparable yield for similar non-contingent debt, determined as of the time of issuance of the securities, and (ii) any gain on the sale, exchange or retirement of the securities would be treated as ordinary income. Even if the securities are treated for U.S. federal income tax purposes as prepaid derivative contracts rather than debt instruments, the IRS could treat the timing and character of income with respect to coupon payments in a manner different from that described above.

Other possible U.S. federal income tax treatments of the securities could also affect the timing and character of income or loss with respect to the securities. In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of prepaid forward contracts and similar instruments. The notice focuses in particular on whether to require investors in these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; whether these instruments are or should be subject to the constructive ownership regime, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose a notional interest charge; and appropriate transition rules and effective dates. While it is not clear whether the securities would be viewed as similar to the typical prepaid forward contract described in the notice, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the securities, possibly with retroactive effect. You should consult your tax adviser regarding the possible alternative treatments of an investment in the securities and the issues presented by this notice.

Tax Consequences to Non-U.S. Holders

This section applies only to non-U.S. holders. You are a non-U.S. holder if you are a beneficial owner of a security that is, for U.S. federal income tax purposes:

an individual who is classified as a nonresident alien;

a foreign corporation; or

a foreign trust or estate.

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You are not a non-U.S. holder for purposes of this discussion if you are (i) an individual who is present in the United States for 183 days or more in the taxable year of disposition of a security, (ii) a former citizen or resident of the United States or (iii) a person for whom income or gain in respect of the securities is effectively connected with the conduct of a trade or business in the United States. If you are or may become such a person during the period in which you hold a security, you should consult your tax adviser regarding the U.S. federal tax consequences of an investment in the securities.

Because significant aspects of the tax treatment of the securities are uncertain, persons having withholding responsibility in respect of the securities may withhold on any coupon payment paid to you, generally at a rate of 30%. To the extent that we have (or an affiliate of ours has) withholding responsibility in respect of the securities, we intend to so withhold. In order to claim an exemption from, or a reduction in, the 30% withholding, you may need to comply with certification requirements to establish that you are not a U.S. person and are eligible for such an exemption or reduction under an applicable tax treaty. You should consult your tax adviser regarding the tax treatment of the securities, including the possibility of obtaining a refund of any amounts withheld and the certification requirement described above.

Possible Withholding Under Section 871(m) of the Code. Section 871(m) of the Code and Treasury regulations promulgated thereunder (Section 871(m)) generally impose a 30% withholding tax on dividend equivalents paid or deemed paid to non-U.S. holders with respect to certain financial instruments linked to U.S. equities (U.S. underlying equities) or indices that include U.S. underlying equities. Section 871(m) generally applies to instruments that substantially replicate the economic performance of one or more U.S. underlying equities, as determined based on tests set forth in the applicable Treasury regulations (a specified security). However, the regulations exempt financial instruments issued in 2017 that do not have a Δ of one. Based on the terms of the securities and representations provided by us, our counsel is of the opinion that the securities should not be treated as transactions that have a Δ of one within the meaning of the regulations with respect to any U.S. underlying equity and, therefore, should not be specified securities subject to withholding tax under Section 871(m).

A determination that the securities are not subject to Section 871(m) is not binding on the IRS, and the IRS may disagree with this treatment. Moreover, Section 871(m) is complex and its application may depend on your particular circumstances. For example, if you enter into other transactions relating to a U.S. underlying equity, you could be subject to withholding tax or income tax liability under Section 871(m) even if the securities are not specified securities subject to Section 871(m) as a general matter. You should consult your tax adviser regarding the potential application of Section 871(m) to the securities.

In the event withholding applies, we will not be required to pay any additional amounts with respect to amounts withheld.

U.S. Federal Estate Tax

If you are an individual non-U.S. holder or an entity the property of which is potentially includible in such an individual's gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers), you should note that, absent an applicable treaty exemption, a security may be treated as U.S.-situs property subject to U.S. federal estate tax. If you are such an individual or entity, you should consult your tax adviser regarding the U.S. federal estate tax consequences of investing in the securities.

Information Reporting and Backup Withholding

Amounts paid on the securities, and the proceeds of a sale, exchange or other disposition of the securities, may be subject to information reporting and, if you fail to provide certain identifying information (such as an accurate taxpayer identification number if you are a U.S. holder) or meet certain other conditions, may also be subject to backup withholding at the rate specified in the Code. If you are a non-U.S. holder that provides an appropriate IRS Form W-8, you will generally establish an exemption from backup withholding. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the relevant information is timely furnished to the IRS.

FATCA

Legislation commonly referred to as FATCA generally imposes a withholding tax of 30% on payments to certain non-U.S. entities (including financial intermediaries) with respect to certain financial instruments, unless various U.S. information reporting and due diligence requirements have been satisfied. An intergovernmental agreement between the United States and the non-U.S. entity's jurisdiction may modify these requirements. This legislation applies to certain financial instruments that are treated as paying U.S.-

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source interest, dividends or dividend equivalents or other U.S.-source fixed or determinable annual or periodical income (FDAP income). If required under FATCA, withholding applies to payments of FDAP income and, after 2018, to payments of gross proceeds of the disposition (including upon retirement) of certain financial instruments treated as paying U.S.-source interest or dividends. Because the treatment of the securities is unclear, it is also unclear whether and how the FATCA rules apply to the securities. However, it would be prudent to assume that withholding agents will treat coupon payments, and potentially other payments, with respect to the securities as subject to FATCA. If withholding applies to the securities, we will not be required to pay any additional amounts with respect to amounts withheld. If you are a non-U.S. holder, or a U.S. holder holding securities through a non-U.S. intermediary, you should consult your tax adviser regarding the potential application of FATCA to the securities.

THE TAX CONSEQUENCES OF OWNING AND DISPOSING OF THE SECURITIES ARE UNCLEAR. YOU SHOULD CONSULT YOUR TAX ADVISER REGARDING THE TAX CONSEQUENCES OF OWNING AND DISPOSING OF THE SECURITIES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN U.S. FEDERAL OR OTHER TAX LAWS.

The preceding discussion constitutes the full opinion of Davis Polk & Wardwell LLP regarding the material U.S. federal tax consequences of owning and disposing of the securities.