

Edgar Filing: TSI INC /MT/ - Form 10QSB

TSI INC /MT/  
Form 10QSB  
October 08, 2003

U.S. Securities and Exchange Commission  
Washington, D. C. 20549  
FORM 10-QSB  
(Mark One)

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the period ended June 30, 2003

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT  
For the transition period from to

Commission file number 0-2054

TSI, Inc.

(Exact name of small business issuer as specified in its charter)

Montana 81-0267738

(State or other jurisdiction of I.R.S. Employer Identification No.  
incorporation or organization)

128 Second Street South, Great Falls, Montana 59405  
(Address of principal executive offices)

(406) 727-2600  
(Issuer's telephone number)

Not Applicable

(Former name, former address and former fiscal year, if changed since  
last report)

Check whether the issuer (1) filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to  
be filed by Section 12, 13 or 15(d) of the Exchange Act after the  
distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of  
common equity, as of the latest practicable date:

Class	Outstanding at June 30, 2003
\$.05 Par Value Common Stock	10,465,505 Shares

Transitional Small Business Disclosure Format (Check One): Yes ; No ☒

TSI, INC.

INDEX

Edgar Filing: TSI INC /MT/ - Form 10QSB

JUNE 30, 2003

Page Number

PART I

Condensed Financial Statements:

Balance Sheet - March 31, 2003	2
Statements of Income and Comprehensive Income - Three Months and Six Months Ended June 30, 2003 and 2002	3
Statements of Cash Flows - Six Months Ended June 30, 2003 and 2002	4
Notes to Financial Statements	5
Management's Discussion and Analysis of the Statements of Income	6

PART II

Other Information	7
Signatures	8
Certifications	9-10

TSI, INC.  
CONSOLIDATED BALANCE SHEET  
AS OF JUNE 30, 2003

ASSETS

# Edgar Filing: TSI INC /MT/ - Form 10QSB

Current Assets	
Cash \$	22,857,815
Marketable Securities, at Fair Value	1,860,411
Receivables, Net	37,947
Deferred Tax Asset	116,226
Prepaid Expenses	7,965
Total Current Assets	25,046,808

## Other Assets

Noncurrent Investments, at Fair Value	705,443
Other Assets	200
Property, Plant and Equipment, Net	671,396
Total Assets	\$ 26,257,403

## LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	
Accounts Payable and Accrued Liabilities	\$ 179,227
Income Taxes Payable	97,895
Due to Parent Company	489,679
Total Current Liabilities	766,801
Provision for Estimated Title and Escrow Losses	800,156
Minority Interests	393,820
Deferred Income Taxes	176,855
Excess of Fair Value of Net	
Assets Acquired Over Cost	11,645
Stockholders' Equity	
Common Stock, \$.05 Par Value,	
30,000,000 shares authorized,	
10,483,142 shares issued	524,157
Additional Paid-In Capital	22,165,957
Retained Earnings	1,120,567
Accumulated Other Comprehensive Income	326,879
Treasury Stock, at Cost	(29,434)
Total Stockholders' Equity	24,108,126
Total Liabilities and Stockholders' Equity	\$26,257,403

See Notes to Consolidated Financial Statements.

Edgar Filing: TSI INC /MT/ - Form 10QSB

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2003	2002	2003	2002
Operating Revenues	790,671	\$ 554,053	\$ 1,445,642	\$ 1,111,035
Operating Expenses				
Salaries and Payroll Costs	392,086	148,114	623,092	354,463
Depreciation	19,024	13,103	36,813	34,001
Other Expenses	168,711	191,410	423,078	314,192
Administrative	33,000	33,000	66,000	66,000
Total Expenses	612,821	385,627	1,148,983	768,656
Operating Income	177,850	168,426	296,659	342,379
Amortization of Deferred Credit	2,055	2,055	4,110	4,110
Minority Portion Of Income	(298)	(1,563)	(2,138)	(3,775)
	179,607	168,918	298,631	342,714
Income Tax Expense	(33,925)	(47,300)	(47,055)	(103,000)
Net Income	145,682	121,618	251,576	239,714
Other Comprehensive Income Increase (Decrease) in Unrealized Holding Gains, Net of Income Taxes	143,226	43,470	160,556	43,470
Comprehensive Income	\$ 288,908	\$165,088	\$412,132	\$283,184

See Notes to Consolidated Financial Statements.

3

TSI, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Six Months

# Edgar Filing: TSI INC /MT/ - Form 10QSB

		Ended June 30,	
	2003		2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Provided By Operating Activities	\$ 142,445		\$ 135,054
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Purchases of Furniture and Equipment	(18,403)		(5,351)
Cash Used For Purchases of Marketable Securities Available For Sale	(1,040,528)		(339,828)
Cash Received on Dispositions of Marketable Securities Available For Sale	177,701		645,592
Net Cash Provided (Used) By Investing Activities	(881,230)		300,413
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Purchases of Treasury Stock	(8,642)		(1,941)
Cash Provided From Parent Company	268,093		151,150
Net Cash Provided By Financing Activities	259,451		149,209
NET INCREASE IN CASH	(479,334)		584,676
CASH - BEGINNING OF PERIOD	23,337,149		22,140,919
CASH - END OF PERIOD	\$ 22,857,815	\$	22,725,595

See Notes to Consolidated Financial Statements.

4

TSI, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

In the opinion of management, all adjustments necessary (consisting of only normal recurring accruals) have been made to the unaudited financial statements to present fairly the Company's financial position as of June 30, 2003 and the results of the Company's operations and cash flows for the six months ended June 30, 2003 and 2002.

The results of operations for the six months ended June 30, 2003 and 2002 are not indicative of the results to be expected for the full

## Edgar Filing: TSI INC /MT/ - Form 10QSB

year.

The consolidated financial statements include the accounts of the company, its wholly owned subsidiaries and its majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

M Corp, Great Falls, Montana, owns approximately 92% of the Company's issued and outstanding common stock.

The Company adopted the provisions of Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (SFAS No. 115) effective January 1, 1994. In accordance with SFAS No. 115 the Company's portfolios, current and noncurrent, are carried at fair value in the Company's balance sheet at June 30, 2003. The net unrealized holding gain at June 30, 2003, net of the estimated income tax effects and minority interests in the unrealized holding gains, is included in Accumulated Other Comprehensive Income at June 30, 2003 in accordance with the provisions of Financial Accounting Standards No. 130.

Sales to outside concerns, interest revenues and segment operating profit for the Company's reportable segments were as follows for the period ended June 30, 2003:

TSI, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2003

In the opinion of management, all adjustments necessary (consisting of only normal recurring accruals) have been made to the unaudited financial statements to present fairly the financial position as of June 30, 2003 and the results of the Company's operations for the three months and six months ended June 30, 2003 and 2002 and cash flows for the six months ended June 30, 2003 and 2002. The results of operations for the three months and six months ended June 30, 2003 are not indicative of the results to be expected for the full year. The consolidated financial statements include the accounts of the company, its wholly owned subsidiaries and its majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. M Corp owns approximately 92% of the Company's issued and outstanding common stock. The Company adopted the provisions of Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (SFAS No. 115)

## Edgar Filing: TSI INC /MT/ - Form 10QSB

effective January 1, 1994. In accordance with SFAS No. 115 the Company's portfolios, current and noncurrent, are carried at fair value in the Company's balance sheet at June 30, 2003. The net unrealized holding gain at June 30, 2003, net of the estimated income tax effects and minority interests in the unrealized holding gains, is included in Accumulated Other Comprehensive Income at June 30, 2003 in accordance with the provisions of Financial Accounting Standards No. 130.

Sales to outside concerns, interest revenues and segment operating profit for the Company's reportable segments were as follows for the quarter ended June 30, 2003:

	Sales To Outside Concerns	Interest Revenues	Segment Operating Profit
Financial Holding Company	\$ 1,640	\$ 24,855	\$ (47,871)
Title Insurance Operations	618,098	19,441	264,277
Rental Properties	123,130	3,507	(38,555)
Consolidated	\$ 742,868	\$ 47,803	\$ 177,851

5

TSI, INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE INCOME STATEMENT

JUNE 30, 2003

A summary of the period to period changes in items included in the statements of income is shown below.

	COMPARISON OF			
	THREE MONTHS ENDED JUNE 30, 2003 AND 2002 INCREASES		SIX MONTHS ENDED JUNE 30, 2003 AND 2002 (DECREASES)	
Revenues	\$ 236,618	42.7%	\$ 334,607	30.1%
Expenses	227,193	58.9%	380,327	49.5%
Net Income	24,064	19.8%	11,862	4.9%

## Edgar Filing: TSI INC /MT/ - Form 10QSB

Revenues increased \$334,607 for the first six months of 2003 (\$236,618 for the second quarter of 2003) as compared to this time frame in 2002. This increase is due to a 53.8% increase in title revenue (\$407,609, and increase in rent of \$10,393 (5.5%) a decrease in interest and dividend revenues decreased by \$54,751 (34.8%), and a loss on sale of investments of \$36,431 (107.3%) as compared to this time frame in 2002. Operating expenses increased \$380,327 (49.5%) in the first six months of 2003 (\$227,193 in the second quarter) compared to this time frame in 2002. This is due to an increase in payroll of \$268,629 (75.8%), an increase in depreciation of \$2,812 (8.3%) and an increase in other expenses of \$108,885 (34.7%). The provision for income tax expense decreased by \$55,945 (54.3%) in the first six months of 2003 (\$13,375 in the second quarter of 2003) as compared to this time frame in 2002.

6

TSI, INC.

PART II

OTHER INFORMATION

JUNE 30, 2003

ITEM 1 LEGAL PROCEEDINGS

None

ITEM 2 CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5 OTHER INFORMATION

None

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

None



7

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TSI, INC.  
Registrant

Date: August 18, 2003

s/Angela Semenza  
Angela Semenza,  
Assistant Secretary-Treasurer

Date: August 18, 2003

s/D. Mellinger  
D. Mellinger,  
Accountant

8

## Edgar Filing: TSI INC /MT/ - Form 10QSB

### CERTIFICATION

I, Paul J. McCann, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of TSI, Inc.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in the quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of TSI, Inc. as of, and for, the periods presented in this annual report.
4. TSI, Inc.'s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for TSI, Inc.  
We have:
  - a. designed such disclosure controls and procedures to ensure that material information relating to TSI, Inc. is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared.
  - b. evaluated the effectiveness of TSI, Inc. disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. TSI, Inc.'s other certifying officers and I have disclosed, based on our most recent evaluation, to TSI, Inc. auditors and the audit committee of TSI, Inc. board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies in the design or operation of internal controls which could adversely affect TSI, Inc.'s ability to record, process, summarize and report financial data, and I have identified for TSI, Inc.'s auditors any material weaknesses in internal controls; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in TSI, Inc.'s internal control; and
6. TSI, Inc.'s other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 18, 2003

s/Paul J. McCann  
Paul J. McCann

Edgar Filing: TSI INC /MT/ - Form 10QSB

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of TSI, Inc. on Form 10-QSB for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul J. McCann, Representative of TSI, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Subanes-Oxley Act of 2002, that:

1. The report fully compiles with the requirement of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of TSI, Inc.

Date: August 18, 2003

s/Paul J. McCann  
Paul J. McCann,  
Representative