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TSI INC /MT/
Form 10QSB
October 20, 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 quarterly period ended
September 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)
(IRS 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:

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Class
Outstanding at September 30, 2003
\$.05 Par Value Common Stock
10,464,905 Shares

Transitional Small Business
Disclosure Format (Check One): Yes; NoX

TSI, INC.

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SEPTEMBER 30, 2003

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

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ASSETS

Current Assets

Cash	\$	23,046,619
Marketable Securities, at Fair Value		1,860,600
Receivables, Net		1,500
Deferred Taxes, Current		148,012
Prepaid Expenses		6,737

Total Current Assets		25,063,468
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Other Assets

Noncurrent Investments, at Fair Value		861,243
Other Assets		2,755
Property, Plant and Equipment, Net		665,788

Total Assets	\$	26,593,254
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts Payable and Accrued Liabilities	\$	213,816
Income Taxes Payable		121,935
Due To Parent Company		470,838
Deferred Income Taxes		3,803

Total Current Liabilities		810,392
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Provision for Estimated Title and Escrow Losses		792,727
Minority Interests		394,325
Deferred Income Taxes		240,344
Excess of Fair Value of Net Assets Acquired Over Cost		9,590
Total Liabilities		2,247,378

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		1,248,445
Accumulated Other Comprehensive Income		437,951
Treasury Stock, at cost		(30,634)
Total Stockholders' Equity		24,345,876

Total Liabilities and Stockholders' Equity	\$	26,593,254
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See Notes to Consolidated Financial Statements.

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TSI, INC.

CONSOLIDATED STATEMENTS OF INCOME and COMPREHENSIVE INCOME

For The Three Months
Ended

For The Nine Months
Ended

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	September 30,		September 30,	
	2003	2002	2003	2002
Operating Revenues	\$742,451	\$601,918	\$2,188,093	\$1,712,953
Operating Expenses				
Salaries and Payroll Costs	324,714	358,184	947,806	712,647
Depreciation	19,024	19,746	55,837	53,747
Administration	33,000	33,000	99,000	99,000
Other Expenses	212,344	187,231	635,422	501,423
Total Expenses	589,082	598,161	1,738,065	1,366,817
	153,369	3,757	450,028	346,136
Amortization of Deferred Credit	2,055	2,055	6,165	6,165
Minority Portion Of (Income) Loss	(431)	901	(2,569)	(2,874)
	154,993	6,713	453,624	349,427
Income Tax Expense	(27,116)	15,700	(74,171)	(87,900)
Net Income	127,877	22,413	379,453	261,527
Other Comprehensive Income (Loss)				
Increase (Decrease) in Unrealized Holding Gains, Net of Income Taxes	111,072	(149,207)	271,628	(112,147)
Comprehensive Income (Loss) \$	238,949 \$	(126,794)	\$ 651,081	\$ 149,380

See Notes to Consolidated Financial Statements.

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TSI, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Nine Months
Ended
September 30,
2003 2002

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CASH FLOWS FROM OPERATING ACTIVITIES

Net Cash From Operations	\$	429,415	\$	719,397
Income Taxes Paid		(3,650)		(147,150)
Net Cash From Operating Activities	\$	425,765	\$	572,247

CASH FLOWS FROM INVESTING ACTIVITIES

Cash Received on Sales and Redemptions of Property, Plant and Equipment		10,250	-	
Capital Expenditures Paid in Cash		(46,025)		(42,733)
Cash Used For Purchases of Marketable Securities Available For Sale		(1,053,645)		(361,962)
Cash Received on Dispositions of Marketable Securities Available For Sale		118,893		1,050,336
Net Cash Provided By Investing Activities		(970,527)		645,641

CASH FLOWS FROM FINANCING ACTIVITIES

Cash Advances From (To) Parent Company		264,074		(195,859)
Cash Purchases of Treasury Stock		(9,842)		(6,198)
Net Cash Provided By Financing Activities		254,232		(202,057)
NET INCREASE IN CASH		(290,530)		1,015,831
CASH - BEGINNING OF PERIOD		23,337,149		22,140,919
CASH - END OF PERIOD	\$	23,046,619	\$	23,156,750

See Notes to Consolidated Financial Statements.

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TSI, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 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

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fairly the financial position as of September 30, 2003 and the results of the Company's operations for the three months and nine months ended September 30, 2003 and 2002 and cash flows for the nine months ended September 30, 2003 and 2002.

The results of operations for the three months and nine months ended September 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) 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 September 30, 2003. The net unrealized holding gain at September 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 September 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 September 30, 2003:

	COMPARISON		OF
	Sales To Outside Concerns	Interest Revenues	Segment Operating Profit
Financial Holding Company	\$ 2,235	\$ 15,483	\$ (44,388)
Title Insurance Operations	604,959	11,550	227,979
Rental Properties	107,612	612	(30,222)
Consolidated	\$714,806	\$ 27,645	\$ 153,369

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TSI, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE INCOME STATEMENT

SEPTEMBER 30, 2003

A summary of the period to period changes in items included in the

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statements of income is shown below.

	COMPARISON OF			
	THREE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002 INCREASES		NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002 (DECREASES)	
Revenues	\$ 140,534	23.3%	\$ 475,141	27.7%
Expenses	(9,078)	(1.5%)	371,249	27.2%
Net Income	105,464	470.8%	117,926	45.1%

Revenues increased \$475,141 for the first nine months of 2003 (\$140,534 in the third quarter of 2003) as compared to this time frame in 2002. This increase is primarily due to an increase in title income of \$561,477 (46.9%). Other factors for the change in revenues include: an increase in rent of \$18,932 (6.7%), a decrease in interest and dividend revenue of \$84,927 (37%), and a decrease of 536.5% on security sales gains. Operating expenses increased \$103,892 (30%) in the first nine months of 2003 compared to this time frame in 2002. This is due to the decrease in depreciation of \$2,090 (3.9%), and an increase in other expenses of \$133,999 (26.7%), and an increase in payroll costs of \$235,159 (33%). The provision for income tax expense decreased by \$13,729 (15.6%) in the first nine months of 2003 (an increase of \$42,816 in the third quarter of 2003) as compared to this time frame in 2002.

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TSI, INC.

PART II

OTHER INFORMATION

SEPTEMBER 30, 2003

ITEM 1 LEGAL PROCEEDINGS

None

ITEM 2 CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None

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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

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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: October 14, 2003

s/Angela Semenza

A. Semenza,

Assistant Secretary-Treasurer

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Date: October 14, 2003

s/D. Mellinger

D. Mellinger,
Accountant

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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 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

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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: October 14, 2003

s/Paul J. McCann

Paul J. McCann

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 September 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 complies 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: October 14, 2003

s/Paul J. McCann

Paul J. McCann,
Representative