

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

TSI INC /MT/  
Form 10QSB  
November 18, 2002

U.S. Securities and Exchange Commission  
Washington, D.C. 20549

Gentlemen,

We are transmitting herewith Form 10-QSB for the quarter ended September 30, 2002 for TSI, Inc.

TSI, Inc.

s/Dawn Mellinger  
Dawn Mellinger  
Accountant

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, 2002

☐ 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 59401  
(Address of principal executive offices)

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

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

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, 2002
\$.05 Par Value Common Stock	10,471,844 Shares

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

TSI, INC.

INDEX

JUNE 30, 2002

Page Number

## PART I

### Condensed Consolidated Financial Statements:

Balance Sheet September 30, 2002	2
Statements of Income and Comprehensive Income - Nine Months and Three Months Ended September 30, 2002 and 2001	3
Statements of Cash Flows - Nine Months Ended September 30, 2002 and 2001	4
Notes to Consolidated Financial Statements	5
Management's Discussion and Analysis of the Statements of Income	6

## PART II

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

Other Information	7
Signatures	8
Certification	9-10

1

TSI, INC.

## CONSOLIDATED BALANCE SHEET

AS OF SEPTEMBER 30, 2002

### ASSETS

#### Current Assets

Cash	\$ 23,156,750
Marketable Securities, at Fair Value	1,238,550
Receivables - Net	123,887
Deferred Taxes, Current 18,800	
Total Current Assets	24,537,987

#### Other Assets

Noncurrent Investments, at Fair Value	580,809
Other Assets	2,238

Property, Plant and Equipment, Net 692,433

TOTAL ASSETS \$ 25,813,467

### LIABILITIES AND STOCKHOLDERS' EQUITY

#### Current Liabilities

Accounts Payable and Accrued Liabilities	\$ 444,791
Income Taxes Payable	83,605
Due to Parent Company	299,577

Total Current Liabilities 827,973

Provision For Estimated Title and Escrow Losses	819,949
Minority Interests	390,041
Excess of Fair Value of Net Assets Acquired Over Cost	17,810
Deferred Income Taxes	126,100

Total Liabilities 2,181,873

#### Stockholders' Equity

Common Stock - \$.05 Par Value, 30,000,000 shares authorized, 10,483,142 shares issued	524,157
Additional Paid-In Capital	19,165,957
Retained Earnings	3,801,720
Accumulated Other Comprehensive Income	157,176
Treasury Stock, at Cost	(17,416)

Total Stockholders' Equity 23,631,594

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

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$ 25,813,467

See Notes to Consolidated Financial Statements

2

TSI, INC.

## STATEMENTS OF INCOME

	For The Three Months Ended September 30, 2002		For The Nine Months Ended September 30, 2002	
	2001		2001	
Operating Revenues	\$ 601,918	\$ 705,665	\$ 1,712,953	\$5,047,865
Operating Expenses				
Salaries and Payroll				
Costs	358,184	225,340	712,647	700,617
Depreciation	19,746	21,463	53,747	64,388
Other Expenses	220,231	189,541	600,423	615,946
Total Expenses	598,161	436,344	1,366,817	1,380,951
	3,757	269,321	346,136	3,666,914
Amortization of Deferred Credit	2,055	2,055	6,165	6,165
Minority Portion of (Income)	901	(1,779)	(2,874)	(11,141)
	6,713	269,597	349,427	3,661,938
Income Tax Expense	15,700	95,000	(87,900)	(1,450,000)
Net Income	22,413	364,597	261,527	2,211,938
Other Comprehensive Income (Loss)				
Increase (Decrease) in Unrealized Holding Gains, Net of Income Taxes	(149,207)	(122,182)	(112,147)	(1,920,739)
Comprehensive Income	\$ (126,794)	\$242,415	\$ 149,380	\$ 291,199

See Notes to Consolidated Financial Statements

3

TSI, INC.

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

CONSOLIDATED

STATEMENTS OF CASH FLOWS

	For The Nine Months Ended September 30,	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Cash From Operations	\$ 719,397	\$ 743,451
Income Taxes Paid	(147,150)	-
Net Cash Provided By Operating Activities	\$ 572,247	\$ 743,451
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures Paid In Cash	(42,733)	-
Cash Received on Sales and Redemptions of Property and Equipment	-	(4,276)
Cash Used for Purchases of Marketable Securities Available For Sale	(361,962)	(4,032,968)
Cash Received Upon Dispositions of Marketable Securities Available For Sale	1,050,336	8,390,426
Cash Paid to Jefferson Management Company (in error, which was later returned)	-	(452,262)
Net Cash Provided Investing Activities	645,641	3,900,920
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Provided From (To) Parent Company	(195,859)	(923,800)
Cash Purchases of Treasury Stock	(6,198)	(9,388)
Net Cash Provided (Used) By Financing Activities	(202,057)	(933,188)
NET INCREASE IN CASH	1,015,831	3,711,183
CASH - BEGINNING OF PERIOD	22,140,919	16,867,357
CASH - END OF PERIOD	\$23,156,750	\$20,578,540

See Notes to Consolidated Financial Statements

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2002

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 September 30, 2002 and the results of the Company's operations for the three months and nine months ended September 30, 2002 and 2001 and cash flows for the nine months ended September 30, 2002 and 2001.

The results of operations for the three months and nine months ended September 30, 2002 and 2001 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, 2002. The net unrealized holding gains at September 30, 2002, 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, 2002 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 September 30, 2002:

	Sales to Outside Concerns	Interest Revenues	Segment Operating Profit
Financial Holding Company	\$ 17,725	\$ 10,079	\$ (95,787)
Title Insurance Operations	462,071	17,576	142,136
Rental Properties	94,467	-	(42,592)
Consolidated	\$ 574,263	\$ 27,655	\$ 3,757

5

TSI, INC.

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

SEPTEMBER 30, 2002

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

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

	COMPARISON		OF	
	THREE MONTHS		NINE MONTHS	
	ENDED		ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	2002 AND 2001		2002 AND 2001	
	INCREASES		(DECREASES)	
Revenues	\$ (103,746)	(14.7%)	\$ (3,334,911)	(66.1%)
Expenses	161,817	37.1%	(14,134)	(1.0%)
Net Income	(342,483)	(93.9%)	(1,950,410)	(88.2%)

Revenues decreased \$3,334,911 for the first nine months of 2002 (\$103,746 decrease for the third quarter of 2002) as compared to this time frame in 2001. This decrease is primarily due to a decrease in the security sales (\$2,881,718). The majority of the decrease in security sales revenue came from the sale of WesterFed. A commission fee of seven percent of gross proceeds from the sales of WesterFed stock, in connection with a merger of WesterFed, was paid to Paul J. McCann, a member of the controlling shareholders group, who played an active part in connection therewith. Other factors for the change in revenues include: decrease in interest and dividend income of \$337,725 (59.6%), decrease in rent of \$27,914 (8.9%), and a decrease in title revenues of \$64,700 (5.1%). Operating expenses decreased \$14,133 in the first nine months of 2002 (1%) in the third quarter of 2002, compared to this time frame in 2001. This is due mainly to the decrease in depreciation of \$10,641 (16.5%) and a reduction in other expenses of \$15,523 (3%). The provision for income tax expense decreased by \$1,362,100 (93.9%) in the first nine months of 2002 as compared to this time frame in 2001. This change was primarily due to the substantial decrease in income from security sales.

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

## OTHER INFORMATION

SEPTEMBER 30, 2002

### 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: November 15, 2002

s/Lori Olson  
Lori Olson,  
Assistant Secretary-Treasurer

Date: November 15, 2002

s/Dawn Mellinger  
Dawn Mellinger,  
Accountant



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 quarterly annual 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., including its consolidated subsidiaries, 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 TSI, Inc. disclosure controls and procedures as of a date with 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

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

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.

Based on my knowledge all of the above is true and correct.

Date: November 15, 2002

s/Paul J. McCann  
Paul J. McCann

9

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, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul J. McCann, Representative of Diversified Realty, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The report fully complies with the requirements 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 Diversified Realty, Inc.

Date: November 15, 2002

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

10