

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

TSI INC /MT/
Form 10QSB
August 03, 2004

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 June 30, 2004

☐ 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:

Class	Outstanding at June 30, 2004
\$.05 Par Value Common Stock	10,381,639 Shares

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

TSI, INC.

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JUNE 30, 2004

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TSI, INC. CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2004

(Unaudited)

ASSETS

Current Assets

Cash	\$	19,441,514
Marketable Securities, at Fair Value		5,064,989
Receivables, Net		67,683
Prepaid Expenses		60,503

Total Current Assets	24,634,689
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Other Assets

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Noncurrent Investments, at Fair Value	659,609
Property, Plant and Equipment, Net	748,932
Total Assets	\$ 26,043,230

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	
Accounts Payable and Accrued Liabilities	\$ 205,928
Income Taxes Payable	37,941
Current Deferred Income Taxes	120,493
Due to Parent Company	99,394
Related Party Payable	75,000
Total Current Liabilities	538,756
Provision for Estimated Title and Escrow Losses	772,141
Minority Interests	369,667
Long Term Deferred Income Taxes	104,441
Stockholders' Equity	
Common Stock, \$.05 Par Value,	
30,000,000 shares authorized,	
10,381,639 shares issued & outstanding	519,082
Additional Paid-In Capital	18,974,066
Retained Earnings	4,329,092
Accumulated Other Comprehensive Income	435,985
Total Stockholders' Equity	24,258,225
Total Liabilities and Stockholders' Equity	\$ 26,043,230

See Notes to Consolidated Financial Statements.

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TSI, Inc. CONSOLIDATED STATEMENTS OF INCOME and COMPREHENSIVE INCOME

(Unaudited)

	For The Three Months Ended June 30, 2004		For The Six Months Ended June 30, 2004	
	2004	2003	2004	2003
Operating Revenues	\$ 517,092	\$ 792,726	\$1,081,498	\$1,449,752
Operating Expenses				
Salaries and Payroll Costs	296,242	392,086	577,253	623,092

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Depreciation	20,665	19,024	41,330	36,813
Other Expenses	244,627	201,711	420,826	489,078
Total Expenses	561,534	612,821	1,039,409	1,148,983
Operating Income (Loss)	(44,442)	179,905	42,089	300,769
Minority Portion Of Income	1,797	(298)	(2,363)	(2,138)
	(42,645)	179,607	39,726	298,631
Income Tax (Expense) Benefit	32,627	(33,925)	14,088	(47,055)
Net Income (Loss)	(10,018)	145,682	53,814	251,576
Other Comprehensive Income				
Increase (Decrease) in Unrealized Holding Gains, Net of Income Taxes	(20,107)	143,226	(6,633)	160,556
Comprehensive Income (Loss)	\$ (30,125)	\$ 288,908	\$ 47,181	\$412,132
Basic Earnings (Loss) Per Share	\$ (0.001)	\$ 0.01	\$ 0.005	\$ 0.02
Weighted Average Shares	10,406,448	12,773,426	10,430,153	11,627,724

See Notes to Consolidated Financial Statements.

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TSI, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

For The Six Months
Ended
June 30,
2004 2003

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CASH FLOWS FROM OPERATING ACTIVITIES

Net Cash Provided By		
Operating Activities	\$ 180,314	\$ 142,445

CASH FLOWS FROM INVESTING ACTIVITIES

Cash Purchases of Furniture and Equipment	(137,488)	(18,403)
Cash Used For Purchases of Marketable Securities Available For Sale	(5,953,050)	(1,040,528)
Cash Received on Dispositions of Marketable Securities Available For Sale	1,977,572	177,701
Net Cash Provided (Used) By Investing Activities	(4,112,966)	(881,230)

CASH FLOWS FROM FINANCING ACTIVITIES

Cash Purchases of Common Stock	(196,966)	(8,642)
Cash Provided (To) From Parent Company	(60,000)	268,093
Net Cash Provided By Financing Activities	(256,966)	259,451
NET DECREASE IN CASH	(4,189,618)	(479,334)
CASH - BEGINNING OF PERIOD	23,631,132	23,337,149
CASH - END OF PERIOD	\$ 19,441,514	\$ 22,857,815

See Notes to Consolidated Financial Statements.

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TSI, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note. 1 Basis of Presentation

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, 2004 and the results of the Company's operations and cash flows for the six months ended June 30, 2004 and 2003. The results of operations for the six months ended June 30, 2004 and 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

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significant intercompany transactions and balances have been eliminated in consolidation.

M Corp, Great Falls, Montana, owns approximately 93% of the Company's issued and outstanding common stock.

Note 2. Significant Accounting Policies

For purposes of the statements of cash flows, cash equivalents include time deposits, certificates of deposit and money market accounts, all with original maturities of three months or less.

The Company's investment security portfolios, current and noncurrent, are carried at fair value in the Company's balance sheet at June 30, 2004. The unrealized holding gain at June 30, 2004, 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, 2004.

Basic earnings per share (EPS) is calculated by dividing net income by the weighted number of common shares outstanding for the period.

Note 3. Contingencies

The Board of Directors has approved the Company's participation in an attempt to purchase a savings and loan institution. The Company will participate in the purchase with its parent, M Corp. Should the . purchase take place, the liquidity of the Company will be significantly affected.

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TSI, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 4. Segment Information

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, 2004:

Sales To Outside Concerns	Interest Revenues	Segment Operating Profit (Loss)
---------------------------------	----------------------	---------------------------------------

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Financial Holding Company	\$ (91,844)	\$15,779	\$ (98,946)
Title Insurance Operations	446,975	11,642	61,988
Rental Properties	132,551	1,989	(7,934)
Consolidated	\$ 487,682	\$29,410	\$ (44,442)

A loss on the sale of securities is shown as a reduction in revenue in order to remain consistent with comparisons in previous financial statements.

Note 5. Subsequent Event

An agreement was drafted for the sale of two apartment complexes owned by Merritt Properties, Inc., a subsidiary of TSI, Inc, in the amount of \$528,900. On July 30, 2004 the Company sold this property. As of June 30, 2004, the property including furniture and fixtures is carried on the financial statements at a cost of \$334,397 with \$84,078 in accumulated depreciation, and the land is carried at \$18,000. The net proceeds of the sale are expected to be approximately \$491,771, and will be held by Montana Exchange, Inc. pending a like-kind exchange expected to occur in the third or fourth quarter of 2004. The Company has not yet identified the new property in connection with the exchange.

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TSI, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE STATEMENTS OF INCOME

JUNE 30, 2004

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

COMPARISON OF				Six Months	
Three Months				Ended	
Ended				June 30,	
June 30,				2004 and 2003	
2004 and 2003					

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			Increases (Decreases)	
Revenues	\$ (275,634)	(34.8%)	\$ (368,254)	(25.4%)
Operating Expenses	\$ (51,287)	(8.4%)	\$ (109,574)	(9.5%)
Net Income	\$ (155,700)	(107%)	\$ (197,761)	(78.6%)

Revenues decreased \$368,254 in the first six months of 2004 (\$275,634 for the second quarter of 2004) as compared to this time frame in 2003. This decrease is due primarily to a decrease in title revenue of \$403,657 (\$207,566 during the second quarter of 2004). Other factors include an increase in rental income of \$12,277 (6.1%), and increase in interest and dividend revenues of \$6,767, an increase in other revenue of \$31,128, and an increased loss on sale of securities of \$14,770 (40.2%) during the first six months of 2004.

Operating expenses decreased \$109,574 (9.5%) in the first six months of 2004 (\$51,287 during the second quarter of 2004) as compared with the same period of 2003 due primarily to a decrease of \$57,252 (13.5%) in other expenses and a decrease in salaries and payroll costs of \$45,839 (7.4%). Intercompany charges decreased by \$11,000 (16.7%) ,and depreciation increased by \$4,517 (12.3%) in the first six months of 2004 compared with the first six months of 2003. The provision for income taxes decreased by \$61,143 (130%) for the first six months of 2004, due mainly to an increase in non-taxable income.

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TSI, INC.

CONTROLS AND PROCEDURES

JUNE 30, 2004

Evaluation of disclosure controls and procedures. Based on an evaluation carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer during the 90-day period prior to the filing of this report, our Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and procedures, as defined in Securities Exchange Act Rules 13a-14 and 15d-14, are, to the best of their knowledge, effective.

Changes in internal controls, subsequent to the date of this evaluation. Our Chief Executive Officer and Chief Financial Officer are not aware of any significant changes in our internal controls over financial reporting, including any corrective actions with regard to significant deficiencies and material weakness, or in other factors that could significantly affect these controls to ensure that information required to be disclosed by us, in reports that we file or submit under the Securities Act, is recorded, processed, summarized, and reported within the time period specified in Securities and Exchange Commission rules or regulations.

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TSI, INC.

PART II

OTHER INFORMATION

JUNE 30, 2004

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

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TSI, INC.

PART II

OTHER INFORMATION - CONTINUED

JUNE 30, 2004

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit Number	Description	Page #
3.1	Articles of Incorporation	12
3.2	By-Laws	12
10	Material Contracts	12
16	Letter on change in certifying accountant	13
31.1	Certification required under Section 302	14-15
31.2	Certification required under Section 302	16-17
32.1	Certification required under Section 906	18
32.2	Certification required under Section 906	18

(b) Reports on Form 8-K

On October 20, 2003, Dwyer & Company, CPA, PC, our independent accountant, resigned, when the review for the period ending September 30, 2003 was completed. February 23, 2004, we engaged Anderson ZurMuehlen & Co., P.C. as our principal accountant to audit our financial statements. The decision to change was approved by the Board of Directors. Dwyer & Company, CPA, PC's report on the financial statements for either of the past two years did not contain an adverse opinion and was not modified as to uncertainty, audit scope or accounting principles. A current report on Form 8-K was filed with the SEC on February 24, 2004 regarding the change in auditors. On April 30, 2004, Form 8-K/A was filed including additional disclosures required by the Securities Exchange Commission.

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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: July 27, 2004

By: s/John Ross
John Ross,
President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on July 27, 2004.

Director	s/Tyler Arneson Tyler Arneson
Director	s/A.M. McCann A. M. McCann
Chief Executive Officer	s/Paul J. McCann. Paul J. McCann
Chief Financial Officer	s/D. Mellinger D. Mellinger

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TSI, INC.

EXHIBIT 3.1

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ARTICLES OF INCORPORATION

There have been no amendments to the Articles of Incorporation for TSI, Inc. during the first or second fiscal quarters of 2004.

EXHIBIT 3.2

BY-LAWS

During the first or second quarters ending June 30, 2004, there were no changes to TSI, Inc.'s By-laws.

EXHIBIT 10

MATERIAL CONTRACTS

No material contracts were executed or became effective during the first or second quarter of 2004.

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TSI, INC.

EXHIBIT 16

LETTER ON CHANGE IN CERTIFYING ACCOUNTANT

[DWYER & COMPANY, CPA, PC LETTERHEAD]

DWYER & COMPANY, CPA, PC [LOGO]

18 6th Street North, Suite 200, Great Falls, MT 59401
Phone (406) 453-2463 Fax (406) 727-3225

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We have read the Form 8-K, item 4, for TSI, Inc.,
(SEC File No. 0-2054) dated February 23, 2004, and Form 8-K/A
dated April 27, 2004, and we agree with the statements made
therein concerning our resignation.

Sincerely,

/s/Dwyer & Company, CPA, PC
Dwyer & Company, CPA, PC

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TSI, INC.

EXHIBIT 31.1

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 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 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

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for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for TSI, Inc. and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

b. Evaluated the effectiveness of TSI, Inc.'s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and:

c. Disclosed in this report any change in TSI, Inc.'s internal control over financial reporting that occurred during TSI, Inc.'s second fiscal quarter that has materially affected, or is reasonably likely to materially affect TSI, Inc.'s internal control over financial reporting;

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TSI, INC.

EXHIBIT 31.1 - CONTINUED

CERTIFICATION

5. TSI Inc.'s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to TSI, Inc.'s auditors and the audit committee of TSI, Inc.'s Board of Directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect TSI, Inc.'s ability to record, process, summarize and report financial information; 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 over financial reporting.

Date: July 27, 2004

s/Paul J. McCann
Paul J. McCann,
Chief Executive Officer

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TSI, INC.

EXHIBIT 31.2

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CERTIFICATION

I, D. Mellinger, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of TSI, Inc.
2. Based on my knowledge, this 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 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-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for TSI, Inc. and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - b. Evaluated the effectiveness of TSI, Inc.'s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and:
 - c. Disclosed in this report any change in TSI, Inc.'s internal control over financial reporting that occurred during TSI, Inc.'s second fiscal quarter that has materially affected, or is reasonably likely to materially affect TSI, Inc.'s internal control over financial reporting;

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TSI, INC.

EXHIBIT 31.2 - CONTINUED

CERTIFICATION

5. TSI Inc.'s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to TSI, Inc.'s auditors and the audit committee of TSI, Inc.'s Board of Directors (or persons performing the equivalent functions):

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a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect TSI, Inc.'s ability to record, process, summarize and report financial information; 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 over financial reporting.

Date: July 27, 2004

s/D. Mellinger
D. Mellinger, Chief Financial Officer

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TSI, INC.

EXHIBIT 32.1

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, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul J. McCann, Chief Executive Officer of TSI, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that;

The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of TSI, Inc.

Date: July 27, 2004

s/Paul J. McCann
Paul J. McCann,

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Chief Executive Officer

EXHIBIT 32.2

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, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, D. Mellinger, Chief Financial Officer of TSI, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that;

The report fully compiles with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of TSI, Inc.

Date: July 27, 2004

s/D. Mellinger
D. Mellinger,
Chief Financial Officer