

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

TSI INC /MT/
Form 10QSB
October 07, 2002

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

Gentlemen,

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

TSI, Inc.

s/Lori Olson
Lori Olson
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 June 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)

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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	10,473,610 Shares

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

TSI, INC.

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JUNE 30, 2002

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TSI, INC.

CONSOLIDATED BALANCE SHEET

AS OF JUNE 30, 2002

ASSETS

Current Assets

Cash	\$ 22,826,733
Marketable Securities, at Fair Value	1,660,195
Receivables - Net	111,232

Total Current Assets	24,598,160
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Other Assets

Noncurrent Investments, at Fair Value	608,470
Other Assets	2,238

Property, Plant and Equipment, Net	692,598
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TOTAL ASSETS	\$ 25,901,466
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts Payable and Accrued Liabilities	\$ 318,045
Income Taxes Payable	98,588
Deferred Income Taxes	72,600
Due to Parent Company	272,319

Total Current Liabilities	761,552
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Provision For Estimated Title and Escrow Losses	829,041
Minority Interests	391,090
Excess of Fair Value of Net Assets Acquired Over Cost	19,865
Deferred Income Taxes	137,400

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	3,779,905
Accumulated Other Comprehensive Income	306,383
Treasury Stock, at Cost	(13,884)

Total Stockholders' Equity	23,762,518
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$ 25,901,466

See Notes to Consolidated Financial Statements

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TSI, INC.

STATEMENTS OF INCOME

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2002	2001	2002	2001
Operating Revenues	\$ 554,053	\$ 763,509	\$1,111,035	\$4,342,201
Operating Expenses				
Salaries and Payroll				
Costs	148,115	264,211	354,463	475,277
Depreciation	13,103	21,463	34,001	42,925
Other Expenses	224,410	230,336	380,192	426,405
Total Expenses	385,628	516,010	768,656	944,607
	168,425	247,499	342,379	3,397,594
Amortization of Deferred Credit	2,055	2,055	4,110	4,110
Minority Portion of (Income)	(1,563)	(284)	(3,775)	(9,362)
	168,917	249,270	342,714	3,392,342
Income Tax Expense	(47,300)	(80,000)	(103,000)	(1,355,000)
Net Income	121,617	169,270	239,714	2,037,342
Other Comprehensive Income (Loss)				
Increase (Decrease) in Unrealized Holding Gains, Net of Income Taxes	(6,409)	39,922	37,060	(1,798,556)
Comprehensive Income	\$ 115,208	\$209,192	\$ 276,774	\$ 238,786

See Notes to Consolidated Financial Statements

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TSI, INC.

CONSOLIDATED

STATEMENTS OF CASH FLOWS

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	For The Six Months Ended June 30,	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Cash From Operations	\$ 214,264	\$ 510,471
Income Taxes Paid	(147,150)	-
Net Cash Provided By Operating Activities	\$ 67,114	\$ 510,471
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures Paid In Cash	(22,033)	-
Cash Received on Sales and Redemptions of Property and Equipment	-	(4,276)
Cash Used for Purchases of Marketable Securities Available For Sale	(353,343)	(3,091,061)
Cash Received Upon Dispositions of Marketable Securities Available For Sale	845,592	6,530,426
Net Cash (Used) By Investing Activities	470,216	2,982,827
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Provided From Parent Company	151,150	(955,200)
Cash Purchases of Treasury Stock	(2,666)	(5,863)
Net Cash Provided By Financing Activities	148,484	(961,063)
NET INCREASE IN CASH	685,814	2,532,235
CASH - BEGINNING OF PERIOD	22,140,919	16,867,357
CASH - END OF PERIOD	\$22,826,733	\$19,399,592

See Notes to Consolidated Financial Statements

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TSI, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2002

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

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

	Sales to Outside Concerns	Interest Revenues	Segment Operating Profit
Financial Holding Company	\$ 28,601	\$ 3,811	\$ (16,608)
Title Insurance Operations	413,315	19,576	164,869
Rental Properties	88,750	-	20,164
Consolidated	\$ 530,666	\$ 23,387	\$ 168,425

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TSI, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE INCOME STATEMENT

JUNE 30, 2002

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

	COMPARISON		OF	
	THREE MONTHS		SIX MONTHS	
	ENDED		ENDED	
	JUNE 30,		JUNE 30,	
	2002 AND 2001		2002 AND 2001	
	INCREASES		(DECREASES)	
Revenues	\$ (209,456)	(27.4%)	\$ (3,231,166)	(74.4%)
Expenses	(130,382)	(25.3%)	(175,951)	(18.6%)
Net Income	(47,653)	(28.2%)	(1,797,628)	(88.2%)

Revenues decreased \$3,231,166 for the first six months of 2002 (\$209,456 for the second quarter of 2002) as compared to this time frame in 2001. This decrease is primarily due to a decrease in the security sales (\$2,872,823). 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 rent of \$26,799 (12.3%), decrease in interest and dividend revenues of \$271,047 (63.2%), and a decrease in title revenues of \$39,323 (4.9%). Operating expenses decreased \$175,951 in the first six months of 2002 (\$130,382 in the second quarter) as compared to this time frame in 2001. This is due to the decrease in depreciation of \$8,924 (20.8%) and a decrease in payroll of \$120,814 (25.4%). The provision for income tax expense decreased by \$1,282,000 (918.8%) in the first six months of 2002 (\$32,700 in the second quarter of 2002) as compared to this time frame in 2001. This change was primarily due to the substantial decrease in income from the security sales.

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TSI, INC.

PART II

OTHER INFORMATION

JUNE 30, 2002

ITEM 1 LEGAL PROCEEDINGS

None

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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

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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 4, 2002

s/D. Mellinger
D. Mellinger,
Assistant Secretary-Treasurer

Date: October 4, 2002

s/Lori Olson
Lori Olson,
Accountant

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CERTIFICATION

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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 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: October 4, 2002

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 June 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 Subanes-Oxley Act of 2002, that:

1. The report fully compiles 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: October 4, 2002

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