

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

TSI INC /MT/  
Form 10QSB/A  
May 19, 2004

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

FORM 10-QSB/A

This form has been amended to include the required certifications, additional disclosure regarding the resignation of our former accountant and the engagement of our new accountant, the subsequently filed Forms 8-K and 8-K/A, and our former accountant's letter covering the additional disclosures.

(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 X 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

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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 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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regarding additional disclosures

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

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 September 30,		For The Nine Months Ended 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
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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### 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 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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### 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 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

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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

Dwyer and Company, CPA, PC, the Company's independent auditor, resigned on October 20, 2003. TSI, Inc., (the "Company"), accepted the resignation of Dwyer & Company, CPA, PC as the Company's independent accountant, on October 20, 2003, when the review for the quarter ended September 30, 2003 was completed.

During the years ended December 31, 2002 and December 31, 2001 and through the resignation date, October 21, 2003, there have been no disagreements with Dwyer & Company, CPA, PC on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure. A letter from Dwyer & Company, CPA, PC is on page 14 of this 10-QSB/A.

On February 23, 2004, the Company engaged the accounting firm of Anderson ZurMuehlen & Co., C.P.A., P.C. as its new independent accountant.

Form 8-K was filed February 25, 2004 disclosing the resignation of Dwyer and Company, CPA, PC, and the engagement of Anderson ZurMuehlen & Co., P.C. as its new independent accountant on February 23, 2004.

Form 8-K/A was filed April 30, 2004 to include amended disclosures to the Form 8-K, as required by the Securities Exchange Commission.

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SIGNATURES



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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: May 8, 2004                      s/Paul McCann, Jr.,  
President, CEO

Date: May 8, 2004                      s/M. A. Arneson  
Director, CFO

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CERTIFICATION

I, Paul McCann, Jr., 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 quarterly 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 13(a)-15(f) and 15(d)-15(f) for TSI, Inc. and have:
  - a. Designed such disclosure controls and procedures, or caused

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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 quarterly report is being prepared;

- b. Evaluated the effectiveness of TSI'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 quarterly report any change in TSI, Inc.'s internal control over financial reporting that occurred during TSI's third 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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CERTIFICATION - continued

- 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's ability to record, process, summarize and report financial information; 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's internal control over financial reporting.

Date: May 8, 2004

s/Paul McCann, Jr.  
President, CEO

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CERTIFICATION

I, M.A. Arneson, 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;

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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 quarterly 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 13(a)-15(f) and 15(d)-15(f) for TSI 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 quarterly report is being prepared;
  - b. Evaluated the effectiveness of TSI'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 quarterly report any change in TSI, Inc.'s internal control over financial reporting that occurred during TSI's third 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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CERTIFICATION - continued

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's ability to record, process, summarize and report financial information; 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's internal control over financial reporting.

Date: May 8, 2004

s/M. A. Arneson  
Director, CFO

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[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

May 9, 2004

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Ladies and Gentlemen:

We have read the amended disclosures concerning our resignation included in this 10-QSB/A, for TSI, Inc. (SEC File No. 0-2054) dated May 8, 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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