TSR INC
Form 10-Q
April 07, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the period ended February 28, 2009

[_] Transition report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from __ to __

Commission File Number: 0-8656

TSR, Inc.

(Exact name of registrant as specified in its charter)

Delaware	13-2635899
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

400 Oser Avenue, Hauppauge, NY 11788

(Address of principal executive offices)

631-231-0333

(Registrant's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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. [X] Yes [_] No

Indicate by check mark whether the registrant is large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer [_]	Accelerated Filer [_]
Non-Accelerated filer [_] (Do not check if a smaller reporting company)	Smaller Reporting Company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). [_] Yes [X] No

SHARES OUTSTANDING

4,050,488 shares of common stock, par value $.01 per share, as of March 31, 2009

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TSR, INC. AND SUBSIDIARIES
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Part I. Financial Information

Item 1. Financial Statements

TSR, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	Feb
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Current Assets:	
Cash and cash equivalents	$
Marketable securities	
Accounts receivable, net of allowance for doubtful accounts of $302,000 and $326,000	
Other receivables	
Prepaid expenses	
Prepaid and recoverable income taxes	
Deferred income taxes	
Total Current Assets	1
Marketable securities	
Equipment and leasehold improvements, net of accumulated depreciation and amortization of $411,583 and $396,963	
Other assets	
Deferred income taxes	
Total Assets	$ 1
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Accounts and other payables	$
Accrued expenses and other current liabilities	
Advances from customers	
Total Liabilities	
Minority Interest	
Stockholders' Equity:	
Preferred stock, $1 par value, authorized 1,000,000 shares; none issued	
Common stock, $.01 par value, authorized 25,000,000 shares; issued 6,228,326 shares	
Additional paid-in capital	
Retained earnings	2
	2
Less: Treasury stock, 2,177,838 and 1,660,314 shares, at cost	1
Total Stockholders' Equity	1
Total Liabilities and Stockholders' Equity	$ 1

The accompanying notes are an integral part of these
condensed consolidated financial statements.

TSR, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For The Three Months and Nine Months Ended February 28, 2009 and February 29, 2008
(UNAUDITED)

	Three Months Ended February 28, 2009	Three Months Ended February 29, 2008	Nine February 2009
Revenue, net	$ 9,750,770	$ 12,411,619	$ 33,436,
Cost of sales	7,957,769	10,227,614	27,452,
Selling, general and administrative expenses	1,636,279	1,866,485	5,131,
	9,594,048	12,094,099	32,584,
Income from operations	156,722	317,520	852,
Other income (expense):			
Interest and dividend income	29,826	89,457	132,
Unrealized loss on marketable securities, net	(848)	(4,889)	(8,
Minority interest in subsidiary operating profits	(12,456)	(16,622)	(37,
Income before income taxes	173,244	385,466	938,
Provision for income taxes	80,000	171,000	410,
Net income	$ 93,244	$ 214,466	$ 528,
Basic and diluted net income per common share	$ 0.02	$ 0.05	$ 0
Weighted average number of basic and diluted common shares outstanding	4,050,488	4,568,012	4,297,

The accompanying notes are an integral part of these condensed consolidated financial statements.

TSR, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Nine Months Ended February 28, 2009 and February 29, 2008

(UNAUDITED)

	Nine Months E
	February 28, 2009
Cash flows from operating activities:	
Net income	$ 528,452
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation and amortization	14,620
Unrealized loss on marketable securities, net	8,352
Minority interest in subsidiary operating profits	37,339
Deferred income taxes	14,000
Changes in operating assets and liabilities:	
Accounts receivable	1,525,379
Other receivables	29,597
Prepaid expenses	(15,607)
Prepaid and recoverable income taxes	(54,976)
Accounts payable and accrued expenses	(667,254)
Income taxes payable	--
Advances from customers	(75,946)
Net cash provided by (used in) operating activities	1,343,956
Cash flows from investing activities:	
Proceeds from maturities of marketable securities	8,915,637
Purchases of marketable securities	(5,212,494)
Purchase of fixed assets	(9,635)
Net cash provided by investing activities	3,693,508
Cash flows from financing activities:	
Purchases of treasury stock	(1,219,930)
Cash dividends paid	(767,610)
Distribution to minority interest	(77,289)
Net cash used in financing activities	(2,064,829)
Net increase (decrease) in cash and cash equivalents	2,972,635
Cash and cash equivalents at beginning of period	1,588,443
Cash and cash equivalents at end of period	$ 4,561,078
Supplemental disclosures of cash flow data:	
Income taxes paid	$ 451,000

The accompanying notes are an integral part of these condensed consolidated financial statements.

TSR, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

February 28, 2009
(Unaudited)

1. Basis of Presentation

The accompanying condensed consolidated interim financial statements include the accounts of TSR, Inc. and its subsidiaries (the "Company"). All significant inter-company balances and transactions have been eliminated in consolidation. These interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applying to interim financial information and with the instructions to Form 10-Q of Regulation S-X of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures required by accounting principles generally accepted in the United States of America and normally included in the Company's annual financial statements have been condensed or omitted. These interim financial statements as of and for the three months and nine months ended February 28, 2009 are unaudited; however, in the opinion of management, such statements include all adjustments (consisting of normal recurring accruals) necessary to present fairly the consolidated financial position, results of operations and cash flows of the Company for the periods presented. The results of operations for the interim periods presented are not necessarily indicative of the results that might be expected for future interim periods or for the full year ending May 31, 2009. The balance sheet at May 31, 2008 has been derived from the audited financial statements at that date. These interim financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended May 31, 2008.

2. Net Income Per Common Share

Basic net income per common share is computed by dividing income available to common stockholders (which for the Company equals its net income) by the weighted average number of common shares outstanding, and diluted net income per common share adds the dilutive effect of stock options and other common stock equivalents. The Company has had no stock options or other common stock equivalents outstanding during any of the periods presented.

3. Cash and Cash Equivalents

The Company considers short-term highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. Several of the Company's account balances are in excess of the depository insurance provided by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. Cash and cash equivalents were comprised of the following as of February 28, 2009 and May 31, 2008:

	February 28, 2009	May 31, 2008
Cash in banks	$ 2,254,843	$ 394,987
Money market funds	2,306,235	1,193,456
	$ 4,561,078	$ 1,588,443

4. Revenue Recognition

The Company's contract computer programming services are generally provided under time and materials agreements with customers. Revenue is recognized in accordance with Staff Accounting Bulletin (SAB) 104, "Revenue Recognition," when persuasive evidence of an arrangement exists, the services have been rendered, the price is fixed or determinable, and collectability is reasonably assured. These conditions occur when a customer agreement is effected and the consultant performs the authorized services. Advances from customers represent amounts received from customers prior to the Company's provision of the related services and credit balances from overpayments.

Reimbursements received by the Company for out-of-pocket expenses are characterized as revenue in accordance with Emerging Issues Task Force (EITF) Issue 01-14 "Income Statement of Characterization of Reimbursements Received for `Out-of-Pocket' Expenses Incurred."

5. Marketable Securities

The Company accounts for its marketable securities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115 "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, the Company classifies its marketable securities at acquisition as either (i) held-to-maturity, (ii) trading or (iii) available-for-sale. Based upon the Company's intent and ability to hold its US Treasury securities to maturity (which maturities range up to 24 months), such securities have been classified as held-to-maturity and are carried at amortized cost, which approximates market value. The Company's equity securities are classified as trading securities, which are carried at fair value, as determined by quoted market price, which is Level 1 input, as established by the fair value hierarchy under SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). The related unrealized gains and losses are included in earnings. The Company's marketable securities at February 28, 2009 and May 31, 2008 are summarized as follows:

February 28, 2009 Current	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Reco Va
United States Treasury Securities	$2,487,793	$ --	$ --	$2,4
Certificates of Deposit	1,250,000	--	--	1,2
Equity Securities	16,866	--	6,674	
	$3,754,659	$ --	$ 6,674	$3,7

May 31, 2008 Current	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Reco Va
United States Treasury Securities	$6,441,288	$ --	$ --	$6,4
Equity Securities	16,866	1,678	--	
	$6,458,154	$ 1,678	$ --	$6,4

Long - Term				
United States Treasury Securities	$ 999,648	$ --	$ --	$ 9

6. Stockholders' Equity

During the nine months ended February 28, 2009, the Company purchased a total of 517,524 shares of its common stock for $1,219,930. This consisted of 61,001 shares purchased in various transactions on the open market for $169,927 under a previously announced repurchase plan of 300,000 shares and an additional 456,523 shares purchased in a private transaction for $1,050,003 in October 2008. The Company has not made any purchases under its repurchase plan since September 2008.

7. Recent Accounting Pronouncements

On September 15, 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. SFAS No. 157 provides guidance related to estimating fair value and requires expanded disclosures. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. SFAS No. 157 does not expand the use of fair value in any new circumstances. The adoption of SFAS No. 157 did not have a material impact on the Company's condensed consolidated financial statements.

The Company adopted the methods of fair value measurement as described in SFAS No. 157 to value its financial assets and liabilities. As described in SFAS No. 157, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, SFAS No. 157 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as counterparty credit risks in its assessment of fair value.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment to FASB Statement No. 115" ("SFAS No. 159"). SFAS No. 159 permits entities to elect to measure many financial instruments and certain other items at fair value. Upon adoption of SFAS No. 159, an entity may elect the fair value option for eligible items that exist at the adoption date. Subsequent to the initial adoption, the election of the fair value option should only be made at initial recognition of the asset or liability or upon a re-measurement event that gives rise to new-basis accounting. SFAS No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value nor does it eliminate disclosure requirements included in other accounting standards. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 159 did not have a material impact on the Company's condensed consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (R), "Business Combinations" ("SFAS No.141(R)"), and SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS No.160"). SFAS No.141 (R) requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS No. 160 clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS No. 141 (R) and SFAS No. 160 are effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption is prohibited. The Company does not expect the adoption of SFAS No.141 (R) and SFAS No. 160 to have a material impact on its condensed consolidated financial statements.

Part I. Financial Information
Item 2.

TSR, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and the notes to such financial statements.

Forward-Looking Statements

Certain statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations, including statements concerning the Company's future prospects and the Company's future cash flow requirements are forward looking statements, as defined in the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projections in the forward looking statements which statements involve risks and uncertainties, including but not limited to the following: the impact of current adverse conditions in the credit markets and current adverse economic conditions on the Company's business; risks relating to the competitive nature of the markets for contract computer programming services; the extent to which market conditions for the Company's contract computer consulting services will continue to adversely affect the Company's business; the concentration of the Company's

business with certain customers; uncertainty as to the Company's ability to maintain its relations with existing customers and expand its contract computer consulting services business; the impact of changes in the industry, such as the use of vendor management companies in connection with the consulting procurement process, the increase in customers moving IT operations offshore and other risks and uncertainties set forth in the Company's filings with the Securities and Exchange Commission. The Company is under no obligation to publicly update or revise forward looking statements.

Results of Operations

The following table sets forth, for the periods indicated, certain financial information derived from the Company's condensed consolidated statements of income. There can be no assurance that trends in operating results will continue in the future:

Three months ended February 28, 2009 compared with three months ended February 29, 2008

(Dollar amounts in thousands)

	Three Months Ended February 28, 2009 Amount	February 28, 2009 % of Revenue	February 29, 2008 Amount	February 29, 2008 % of Revenue
Revenue, net	$ 9,751	100.0%	$ 12,412	100.0%
Cost of sales	7,958	81.6%	10,228	82.4%
Gross profit	1,793	18.4%	2,184	17.6%
Selling, general and administrative expenses	1,636	16.8%	1,867	15.0%
Income from operations	157	1.6%	317	2.6%
Other income, net	16	0.2%	68	0.5%
Income before income taxes	173	1.8%	385	3.1%
Provision for income taxes	80	0.8%	171	1.4%
Net income	$ 93	1.0%	$ 214	1.7%

Revenue

Revenue consists primarily of revenue from computer programming consulting services. Revenue for the quarter ended February 28, 2009 decreased $2,661,000 or 21.4% from the quarter ended February 29, 2008. The average number of consultants on billing with customers decreased from 329 for the quarter ended February 29, 2008 to 250 for the quarter ended February 28, 2009. The decrease in revenue resulted primarily from the continued reduction in consultants placed with AT&T, additional reductions in consultants on billing with other customers which the Company attributes to current economic conditions and decreases in revenue due to lower billing rates caused by discounts and other rate reductions instituted by customers.

As a result of the current economic downturn and, specifically, the impact of the adverse conditions in the credit markets on the financial services industry, the Company expects that IT spending will continue to decrease and that the impact is likely to be greater in the financial services industry. These economic conditions have reduced the opportunities to place new consultants on billing with clients and have caused early termination of some existing assignments. The Company derived approximately 20% of its revenue from banking and brokerage clients in fiscal 2008. The Company expects that these conditions will continue to affect the number of consultants on billing with customers and the Company's revenue.

As a result of the merger of AT&T with SBC Communications, Inc., the Company experienced a decrease in new placements with AT&T beginning in the second quarter of fiscal 2007. This has reduced the number of consultants on billing with AT&T from 79 at February 28, 2007 to 50 at February 29, 2008 and 20 at February 28, 2009. The Company expects this change in relationship will continue to impact the Company's business relationship with AT&T, resulting in significantly fewer opportunities to place new consultants with AT&T.

The Company provided services to Lehman Brothers Holdings, Inc. ("LBHI") through its contract with Beeline.com, Inc. ("Beeline"), a vendor management company. LBHI filed a petition under Chapter 11 of the U.S. Bankruptcy Code on September 15, 2008. The Company has received payment in full for amounts due for services rendered through the date of the bankruptcy filing. Following the bankruptcy filing, the consultants on billing with LBHI decreased from 13 as of August 31, 2008 to 5 as of February 28, 2009. The Company cannot determine the impact that the bankruptcy filing and purchase of Lehman Brothers, Inc. ("LBI") by Barclays Capital, Inc. will have on the remaining consultants on billing with LBI and its affiliates. LBHI and its subsidiaries constituted approximately 6% of the Company's revenue in fiscal 2008 and 2% of the Company's revenue for the quarter ended February 28, 2009.

Cost of Sales

Cost of sales for the quarter ended February 28, 2009, decreased $2,270,000 or 22.2% to $7,958,000 from $10,228,000 in the prior year period. The decrease in cost of sales resulted primarily from the decrease in the number of consultants on billing with clients. Cost of sales as a percentage of revenue decreased from 82.4% in the quarter ended February 29, 2008 to 81.6% in the quarter ended February 28, 2009. The decrease in cost of sales as a percentage of revenue was primarily attributable to the significant reduction of consultants on billing with AT&T, which has historically been the Company's lowest margin (highest cost of sales as a percentage of revenue) business.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of expenses relating to account executives, technical recruiters, facilities costs, management and corporate overhead. These expenses decreased $231,000 or 12.4% from $1,867,000 in the quarter ended February 29, 2008 to $1,636,000 in the quarter ended February 28, 2009. This decrease was primarily attributable to a reduction in the number of sales and recruiting personnel and lower commissions paid to the remaining sales and recruiting personnel due to lower revenue. However, while selling, general and administrative expenses decreased, these expenses as a percentage of revenue increased from 15.0% in the quarter ended February 29, 2008 to 16.8% in the quarter ended February 28, 2009 as a result of lower sales.

TSR, INC. AND SUBSIDIARIES

Income from Operations

Income from operations decreased $160,000 or 50.5% from $317,000 in the quarter ended February 29, 2008 to $157,000 in the quarter ended February 28, 2009. The decrease was primarily attributable to the reduced revenue from the decrease in the number of consultants on billing with customers.

Other Income

Other income for the quarter ended February 28, 2009 resulted primarily from interest and dividend income of $30,000, which decreased by $60,000 from the level realized in the quarter ended February 29, 2008 due to lower interest rates earned on the Company's US Treasury securities, certificates of deposit and money market accounts as well as lower average investable assets.

Nine months ended February 28, 2009 compared with nine months ended February 29, 2008

(Dollar amounts in thousands)

	Nine Months Ended February 28, 2009		February 29, 2008	
	Amount	% of Revenue	Amount	% of Revenue
Revenue, net	$ 33,437	100.0%	$ 39,179	100.0%
Cost of sales	27,453	82.1%	31,997	81.7%
Gross profit	5,984	17.9%	7,182	18.3%
Selling, general and administrative expenses	5,132	15.3%	5,587	14.2%
Income from operations	852	2.6%	1,595	4.1%
Other income, net	86	0.2%	229	0.6%
Income before income taxes	938	2.8%	1,824	4.7%
Provision for income taxes	410	1.2%	784	2.0%
Net income	$ 528	1.6%	$ 1,040	2.7%

Revenue

Revenue consists primarily of revenue from computer programming consulting services. Revenue for the nine months ended February 28, 2009 decreased $5,742,000 or 14.7% from the nine months ended February 29, 2008. The average number of consultants on billing with customers decreased from 338 for the nine months ended February 29, 2008 to 276 for the nine months ended February 28, 2009. The decrease in revenue resulted primarily from the continued reduction in consultants placed with AT&T, additional reductions in consultants on billing with other customers which the Company attributes to current economic conditions and decreases in revenue due to lower billing rates caused by discounts and other rate reductions instituted by customers. The decline was also impacted by the decrease in consultants on billing with LBHI.

Cost of Sales

Cost of sales for the nine months ended February 28, 2009, decreased $4,544,000 or 14.2% to $27,453,000 from $31,997,000 in the prior year period. The decrease in cost of sales resulted primarily from the decrease in the number of consultants on billing with clients. Cost of sales as a percentage of revenue increased from 81.7% in the nine months ended February 29, 2008 to 82.1% in the nine months ended February 28, 2009. The increase in cost of sales as a percentage of revenue was primarily attributable to discount programs instituted or expanded by customers and other customer required rate reductions. These discount programs and other billing rate reduction initiatives decrease revenue without allowing the Company to reduce costs sufficiently to completely offset the decrease in revenue. These required rate reductions have accelerated as a result of the current economic conditions.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of expenses relating to account executives, technical recruiters, facilities costs, management and corporate overhead. These expenses decreased $455,000 or 8.1% from $5,587,000 in the nine months ended February 29, 2008 to $5,132,000 in the nine ended February 28, 2009. This decrease was primarily attributable to a reduction in the number of sales and recruiting personnel and lower commissions paid to the remaining sales and recruiting personnel due to lower revenue. However, while selling, general and administrative expenses decreased, these expenses as a percentage of revenue increased from 14.2% in the nine months ended February 29, 2008 to 15.3% in the nine months ended February 28, 2009 as a result of lower sales.

Income from Operations

Income from operations decreased $743,000 or 46.6% from $1,595,000 in the nine months ended February 29, 2008 to $852,000 in the nine months ended February 28, 2009. The combination of reduced revenue and reduced gross margins had a significant negative impact on income from operations.

Other Income

Other income for the nine months ended February 28, 2009 resulted primarily from interest and dividend income of $132,000, which decreased by $169,000 from the level realized in the nine months ended February 29, 2008 due to lower interest rates earned on the Company's US Treasury securities, certificates of deposit and money market accounts as well as lower average investable assets.

TSR, INC. AND SUBSIDIARIES

Liquidity and Capital Resources

The Company expects that cash flow generated from operations together with its cash and marketable securities will be sufficient to provide the Company with adequate resources to meet its liquidity requirements for at least the next 12 months.

At February 28, 2009, the Company had working capital of $12,201,000 including cash and cash equivalents of $4,561,000 as compared to working capital of $12,693,000 including cash and cash equivalents of $1,588,000 at May 31, 2008. The Company's working capital also included $3,748,000 and $6,460,000 of marketable securities with maturities of less than one year at February 28, 2009 and May 31, 2008, respectively.

For the nine months ended February 28, 2009, net cash provided by operating activities was $1,344,000 compared to cash used of $763,000 for the nine months ended February 29, 2008, or an increase of $2,107,000. The cash provided by operating activities primarily resulted from net income and a decrease in accounts receivable of $1,525,000 offset by a decrease in accounts payable and accrued expenses of $667,000. The cash used by operating activities in the nine months ended February 29, 2008, resulted primarily from an increase in accounts receivable.

Net cash provided by investing activities of $3,694,000 for the nine months ended February 28, 2009 primarily resulted from not reinvesting all of the proceeds of maturing US Treasury Securities and offset by the purchase of fixed assets.

Net cash used in financing activities resulted from the purchases of treasury stock amounting to $1,220,000, cash dividends paid of $768,000 and distributions to the minority interest of $77,000. The purchases of treasury stock consisted of $1,050,000 in a private transaction and $170,000 in open market transactions. The Board of Directors of the Company approved a plan in December 2007 authorizing the repurchase of shares of Common Stock and approximately 239,000 shares remain available for purchase under this previously announced plan. The Company has not made any purchases under this plan since September 2008. The Company does not intend to make further purchases under this plan unless there is a change in the market for the Company's common stock. The Board of Directors determined to suspend the payment of further dividends effective after the dividend paid on February 9, 2009 for the second quarter of fiscal 2009. The Board of Directors may reevaluate the Company's dividend policy once the economic conditions stabilize.

The Company's capital resource commitments at February 28, 2009 consisted of lease obligations on its branch and corporate facilities. The Company intends to finance these lease commitments from cash flow provided by operations, available cash and short-term marketable securities.

The Company's cash and marketable securities were sufficient to enable it to meet its cash requirements during the nine months ended February 28, 2009. The Company has available a revolving line of credit of $5,000,000 with a major money center bank through October 31, 2009. As of February 28, 2009, no amounts were outstanding under this line of credit.

Tabular Disclosure of Contractual Obligations

Payments Due By Period

Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating Leases	$1,303,000	$ 363,000	$ 646,000	$ 294,000	$ --
Employment Agreements	943,000	499,000	444,000	--	--
Total.	$2,246,000	$ 862,000	$1,090,000	$ 294,000	$ --

Recent Accounting Pronouncements

On September 15, 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. SFAS No. 157 provides guidance related to estimating fair value and requires expanded disclosures. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. SFAS No. 157 does not expand the use of fair value in any new circumstances. The adoption of SFAS No. 157 did not have a material impact on the Company's condensed consolidated financial statements.

The Company adopted the methods of fair value measurement as described in SFAS No. 157 to value its financial assets and liabilities. As described in SFAS No. 157, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, SFAS No. 157 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as counterparty credit risks in its assessment of fair value.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FASB Statement No. 115" ("SFAS No. 159"). SFAS No. 159 permits entities to elect to measure many financial instruments and certain other items at fair value. Upon adoption of SFAS No. 159, an entity may elect the fair value option for eligible items that exist at the adoption date. Subsequent to the initial adoption, the election of the fair value option should only be made at initial recognition of the asset or liability or upon a re-measurement event that gives rise to new-basis accounting. SFAS No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value nor does it eliminate disclosure requirements included in other accounting standards. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 159 did not have a material impact on the Company's condensed consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (R), "Business Combinations" ("SFAS No. 141(R)"), and SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS No. 160"). SFAS No. 141 (R) requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS No. 160 clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS No. 141 (R) and SFAS No. 160 are effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption is prohibited. The Company does not expect the adoption of SFAS No. 141 (R) and SFAS No. 160 to have a material impact on its condensed consolidated financial statements.

Critical Accounting Policies

The SEC defines "critical accounting policies" as those that require the application of management's most difficult subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

The Company's significant accounting policies are described in Note 1 to the Company's consolidated financial statements, contained in its May 31, 2008 Annual Report on Form10-K, as filed with the SEC. The Company believes that those accounting policies require the application of management's most difficult, subjective or complex judgments. There have been no changes in the Company's significant accounting policies as of February 28, 2009.

Item 4T. Controls and Procedures

Disclosure Controls and Procedures. The Company conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal accounting officer, of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, the principal executive officer and principal accounting officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective.

Internal Control Over Financial Reporting. There was no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's most recently reported completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. Other Information

Item 2(c). Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth information concerning any purchase of the Company's common stock made by or on behalf of the Company or any "affiliated purchaser," as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934 during the Company's second fiscal quarter:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	Maximu Approx Value) Units) t Purcha Plans
Quarter ended				
August 31, 2008	37,900	$2.75	37,900	
November 30, 2008	479,624	2.33	23,101	
December, 2008	0	n/a	0	
January, 2009	0	n/a	0	
February, 2009	0	n/a	0	
Total	0	n/a	0	

(1) The repurchase plan was authorized by the Board of Directors and publicly announced on December 17, 2007. The plan does not have an expiration date.

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Item 6. Exhibits

(a). Exhibit 31.1 - Certification by J.F. Hughes pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2 - Certification by John G. Sharkey pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32.1 - Certification by J.F. Hughes pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 32.2 - Certification by John G. Sharkey pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

TSR Inc.

(Registrant)

Date:	April 6, 2009	/s/ J.F. Hughes --- J.F. Hughes, Chairman and President
Date:	April 6, 2009	/s/ John G. Sharkey --- John G. Sharkey, Vice President Finance and Chief Financial Officer