TSR INC
Form 10-Q
October 14, 2008

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 August 31, 2008

[_] 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

4,507,011 shares of common stock, par value $.01 per share, as of September 30, 2008

TSR, INC. AND SUBSIDIARIES
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Part I. Financial Information
Item 1. Financial Statements

TSR, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	August 31, 2008	May 20
ASSETS	(Unaudited)	(Not
Current Assets:		
Cash and cash equivalents	$ 747,519	$ 1,5
Marketable securities	6,467,452	6,4
Accounts receivable, net of allowance for doubtful accounts of $315,000 and $326,000	8,896,009	8,1
Other receivables	62,778	
Prepaid expenses	57,674	
Prepaid and recoverable income taxes	34,048	
Deferred income taxes	131,000	1
Total Current Assets	16,396,480	16,5
Marketable securities	999,648	9
Equipment and leasehold improvements, net of accumulated depreciation and amortization of $401,695 and $396,963	25,620	
Other assets	49,653	
Deferred income taxes	53,000	
Total Assets	$ 17,524,401	$ 17,6
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts and other payables	$ 294,678	$ 3
Accrued expenses and other current liabilities	1,666,566	1,9
Advances from customers	1,526,170	1,5
Dividends payable	365,441	
Income taxes payable	103,722	
Total Current Liabilities	3,956,577	3,8
Minority Interest	55,886	
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	62,283	
Additional paid-in capital	5,071,727	5,0
Retained earnings	20,513,534	20,6
	25,647,544	25,7
Less: Treasury stock, 1,698,214 and 1,660,314 shares, at cost	12,135,606	12,0
Total Stockholders' Equity	13,511,938	13,7
Total Liabilities and Stockholders' Equity	$ 17,524,401	$ 17,6

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 Ended August 31, 2008 and 2007
(UNAUDITED)

	Three Months Ended August 31,	
	2008	20
Revenue, net	$ 12,149,820	$ 13,5
Cost of sales	10,027,820	11,0
Selling, general and administrative expenses	1,799,646	1,7
	11,827,466	12,8
Income from operations	322,354	7
Other income (expense):		
Interest and dividend income	67,297	1
Unrealized gain (loss) on marketable securities, net	(248)	
Minority interest in subsidiary operating profits	(9,353)	(
Income before income taxes	380,050	7
Provision for income taxes	165,000	3
Net income	$ 215,050	$ 4
Basic and diluted net income per common share	$ 0.05	$
Weighted average number of basic and diluted common shares outstanding	4,564,787	4,5

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 Three Months Ended August 31, 2008 and 2007
(UNAUDITED)

	Three Months Ended August 31,	
	2008	20
Cash flows from operating activities:		
Net Income	$ 215,050	$ 4
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	4,732	
Unrealized loss (gain) on marketable securities, net	248	
Minority interest in subsidiary operating profits	9,353	
Deferred income taxes	6,000	
Changes in operating assets and liabilities:		
Accounts receivable	(719,073)	(1,3
Other receivables	(10,403)	
Prepaid expenses	(3,886)	
Prepaid and recoverable income taxes	13,967	1
Accounts payable and accrued expenses	(271,477)	1
Income taxes payable	103,722	1
Advances from customers	(62,917)	(
Net cash used in operating activities	(714,684)	(3
Cash flows from investing activities:		
Proceeds from maturities of marketable securities	2,466,482	2,9
Purchases of marketable securities	(2,474,350)	(2,9
Purchase of fixed assets	(7,067)	
Net cash used in investing activities	(14,935)	
Cash flows from financing activities:		
Purchases of treasury stock	(104,305)	
Distribution to minority interest	(7,000)	
Net cash used in financing activities	(111,305)	
Net decrease in cash and cash equivalents	(840,924)	(4
Cash and cash equivalents at beginning of period	1,588,443	1,9
Cash and cash equivalents at end of period	$ 747,519	$ 1,4

Supplemental disclosures of cash flow data:		
Income taxes paid	$ 41,000	$

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

TSR, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2008
(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 ended August 31, 2008 are unaudited; however, in the opinion of management, such statements include all adjustments (consisting of normal recurring accruals) necessary to present fairly the consolidated 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. Cash and cash equivalents were comprised of the following as of August 31, 2008 and May 31, 2008:

	August 31, 2008	May 31, 2008
Cash in banks	$ 134,993	$ 394,987

Money market funds	612,526	1,193,456
	$ 747,519	$ 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. The related unrealized gains and losses are included in earnings. The Company's marketable securities at August 31, 2008 and May 31, 2008 are summarized as follows:

August 31, 2008	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	R
Current				
United States Treasury Securities	$ 6,449,156	$ --	$ --	$
Equity Securities	16,866	1,430	--	
	$ 6,466,022	$ 1,430	$ --	$
Long - Term				
United States Treasury Securities	$ 999,648	$ --	$ --	$

May 31, 2008	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	R
Current				
United States Treasury Securities	$ 6,441,288	$ --	$ --	$
Equity Securities	16,866	1,678	--	
	$ 6,458,154	$ 1,678	$ --	$
Long - Term				
United States Treasury Securities	$ 999,648	$ --	$ --	$

6. 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 consolidated financial statements.

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 consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (R), "Business Combinations" ("SFAS 141(R)"), and SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160"). SFAS 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 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 141 (R) and SFAS 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 141 (R) and SFAS 160 to have a material impact on its consolidated financial statements.

7. Dividends

On August 6, 2008, the Board of Directors of the Company declared that a regular quarterly cash dividend of $0.08 per share for the quarter ended May 31, 2008 would be paid on September 18, 2008 to stockholders of record as of August 27, 2008. The dividend amounted to approximately $365,000 and was paid from the Company's cash and marketable securities.

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 August 31, 2008 compared with three months ended August 31, 2007

	Three Months Ended August 31, (Dollar amounts in Thousands)		
	2008		2
	Amount	% of Revenue	Amount
Revenue, net	$ 12,150	100.0	$ 13,526
Cost of sales	10,028	82.5	11,017
Gross profit	2,122	17.5	2,509
Selling, general and administrative expenses	1,800	14.8	1,799
Income from operations	322	2.7	710
Other income, net	58	0.4	85
Income before income taxes	380	3.1	795
Provision for income taxes	165	1.3	348
Net income	$ 215	1.8	$ 447

Revenue

Revenue consists primarily of revenue from computer programming consulting services. Revenue for the quarter ended August 31, 2008 decreased $1,376,000 or 10.2% from the quarter ended August 31, 2007. The average number of consultants on billing with customers decreased from approximately 336 for the quarter ended August 31, 2007 to 299 for the quarter ended August 31, 2008. The decrease in revenue resulted primarily from the continued reduction in consultants placed with AT&T, additional reductions in consultants on billing with 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 merger of AT&T with SBC Communications, Inc., Procurestaff, which had been the sole vendor management company for AT&T, is currently one of the many vendors to the new AT&T and no longer serves as the primary vendor manager. Due to these changes, 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 100 at August 31, 2006 to 68 at August 31, 2007 and 35 at August 31, 2008. The Company expects this change in relationship will continue to impact the Company's business relationship with AT&T, resulting in fewer opportunities to place new consultants at AT&T.

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 in the short term 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. The Company derived approximately 20 percent of its revenue from banking and brokerage clients in fiscal 2008. The Company cannot predict the extent to which these conditions will affect the number of consultants on billing with customers.

The Company has 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. As part of the bankruptcy proceedings, the Bankruptcy Court has approved a sale of Lehman Brothers, Inc. ("LBI"), a subsidiary of LBHI to Barclays Capital Inc. ("Barclays"). The Beeline contract has been assumed by LBI as part of the purchase agreement. The Company has received payment in full for amounts due for services rendered through the date of the bankruptcy filing and will not incur a charge against earnings as the result of the bankruptcy filing. LBHI and its subsidiaries constituted approximately 6% of the Company's revenue in fiscal 2008 and the Company cannot determine the impact that the bankruptcy filing and purchase of LBI by Barclays will have on the number of consultants on billing with LBI and its affiliates.

Cost of Sales

Cost of sales for the quarter ended August 31, 2008, decreased $989,000 or 9.0% to $10,028,000 from $11,017,000 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 81.4% in the quarter ended August 31, 2007 to 82.5% in the quarter ended August 31, 2008. The increase in cost of sales 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 offsetting cost reductions.

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 increased $1,000 or 0.1% from $1,799,000 in the quarter ended August 31, 2007 to $1,800,000 in the quarter ended August 31, 2008. This increase was primarily attributable to the amounts paid to additional sales people offset by decreased legal and auditing expenses and the lower commissions paid to the existing sales and recruiting personnel due to the lower revenue. However, while selling, general and administrative expenses only increased slightly, these expenses as a percentage of revenue increased from 13.3% in the quarter ended August 31, 2007 to 14.8% in the quarter ended August 31, 2008.

Income from Operations

Income from operations decreased $388,000 or 54.6% from $710,000 in the quarter ended August 31, 2007 to $322,000 in the quarter ended August 31, 2008. The combination of reduced revenue, reduced gross margins and relatively flat selling, general and administrative expenses had a significant negative impact on income from operations.

Other Income

Other income for the quarter ended August 31, 2008 resulted primarily from interest and dividend income of $67,000, which decreased by $45,000 from the level realized in the quarter ended August 31, 2007 due to lower interest rates earned on the Company's US Treasury securities and money market accounts .

Income Taxes

The effective income tax rate of 43.4% for the quarter ended August 31, 2008 decreased from a rate of 43.7% in the quarter ended August 31, 2007.

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 the foreseeable future.

At August 31, 2008, the Company had working capital of $12,440,000 including cash and cash equivalents of $748,000 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 $6,467,000 and $6,460,000 of marketable securities with maturities of less than one year at August 31, 2008 and May 31, 2008, respectively.

For the three months ended August 31, 2008, net cash used in operating activities was $715,000 compared to cash used of $397,000 for the three months ended August 31, 2007, or a decrease of $318,000. The cash used in operating activities primarily resulted from an increase in accounts receivable of $719,000 and a decrease in accounts payable and accrued expenses of $271,000. The increase in accounts receivable resulted primarily from delayed payments from two clients with the same vendor manager. These amounts were collected after the end of the quarter. The cash used by operating activities in the three months ended August 31, 2007, resulted primarily from an increase in accounts receivable.

Net cash used in investing activities of $15,000 for the three months ended August 31, 2008 primarily resulted from reinvesting all of the proceeds of maturing US Treasury Securities with decreasing interest rates and the purchase of fixed assets.

Net cash used in financing activities resulted from the purchase of treasury stock amounting to $104,000 and distributions to the minority interest of $7,000.

The Company's capital resource commitments at August 31, 2008 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 three months ended August 31, 2008. 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 August 31, 2008, 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	Mo 5
Operating Leases	$ 1,482,000	$ 359,000	$ 680,000	$ 443,000	$
Employment Agreements	1,380,000	749,000	531,000	100,000	
Total	$ 2,862,000	$ 1,108,000	$ 1,211,000	$ 543,000	$

Recent Account 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 consolidated financial statements.

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In December 2007, the FASB issued SFAS No. 141 (R), "Business Combinations" ("SFAS 141(R)"), and SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160"). SFAS 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 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 141 (R) and SFAS 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 141 (R) and SFAS 160 to have a material impact on its 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 August 31, 2008.

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 first 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	Maximum Num Approximate Value) of (or Units) Yet Be Pu Under t Plans or Pr
June 1, 2008 - June 30, 2008	0	n/a	0	300,0
July 1, 2008 - July 31, 2008	0	n/a	0	300,0
August 1, 2008- August 31, 2008	37,900	$2.75	37,900(1)	262,1
Total	37,900	$2.75	37,900	262,1

(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.

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: October 10, 2008 /s/ J.F. Hughes

J.F. Hughes, Chairman and President

Date: October 10, 2008 /s/ John G. Sharkey

John G. Sharkey, Vice President Finance and Chief Financial Officer