

VALUE LINE INC
Form 10-K
July 16, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended April 30, 2010

or

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: 0-11306

VALUE LINE, INC.

(Exact name of registrant as specified in its charter)

New York

13-3139843

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

220 East 42nd Street, New York, New York
(Address of principal executive offices)

10017-5891
(Zip Code)

Registrant's telephone number, including area code (212) 907-1500

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$.10 par value
(Title of class)

The NASDAQ Global MarketSM
(Name of each exchange on which registered)

Securities registered pursuant to Section 12 (g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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. Yes No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a 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 Smaller reporting company

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

The aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates at October 30, 2009 was \$41,460,389.

There were 9,981,600 shares of the registrant's Common Stock outstanding at June 30, 2010.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement relating to the registrant's 2010 Annual Meeting of Shareholders, to be held on August 17, 2010, are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

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Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This report contains statements that are predictive in nature, depend upon or refer to future events or conditions (including certain projections and business trends) accompanied by such phrases as “believe”, “estimate”, “expect”, “anticipate”, “will”, “intend” and other similar or negative expressions, that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected as a result of certain risks and uncertainties, including but not limited to the following:

- dependence on key personnel;
- maintaining revenue from subscriptions for the Company’s products;
- protection of intellectual property rights;
- changes in market and economic conditions;
- fluctuations in the Company’s assets under management due to broadly based changes in the values of equity and debt securities, redemptions by investors and other factors;
 - dependence on Value Line Funds for investment management and related fees;
 - competition in the fields of publishing, copyright data and investment management;
- the impact of government regulation on the Company’s business and the uncertainties of litigation and regulatory proceedings;
 - terrorist attacks; and
- other risks and uncertainties, including but not limited to the risks described in Item 1A, “Risk Factors”.

Any forward-looking statements are made only as of the date hereof, and the Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

Part I

Item 1. BUSINESS.

Value Line, Inc. (the "Company" or “Value Line”), is a New York corporation whose primary businesses are: (1) producing investment related periodical publications and making available copyrighted data, including Value Line proprietary ranking system information and other proprietary information under agreements to third parties for use in selecting securities for third party marketed products, such as unit investment trusts, exchange traded funds, annuity products, and other investments, and (2) providing investment management services to the Value Line Mutual Funds (“Value Line Funds”), which consist of 14 mutual funds registered under the Investment Company Act of 1940, and other managed accounts. These businesses are performed through the Company and its subsidiaries and consolidate into two business segments: (1) Investment Periodicals, Related Publications and Copyright Data and (2) Investment Management.

The Company was organized in 1982 and is the successor to substantially all of the operations of Arnold Bernhard & Company, Inc. ("AB&Co."). The name "Value Line" as used to describe the Company, its products, and its subsidiaries, is a registered trademark of the Company.

A. Investment Related Periodicals & Publications

The investment related periodicals offered by Value Line Publishing Inc. (“VLP”), a wholly owned subsidiary of the Company, cover a broad spectrum of investments including stocks, mutual funds, options and convertible securities. The Company’s periodicals and related services are of interest to individual and professional investors, as well as to institutions including municipal and university libraries and investment firms.

The services generally fall into four categories:

- Comprehensive reference periodical publications
 - Targeted, niche periodical newsletters
 - Investment analysis software
- Current and historical financial databases

The comprehensive services (The Value Line Investment Survey, The Value Line Investment Survey-Small and Mid-Cap Edition, The Value Line 600, and The Value Line Fund Advisor Plus) provide both statistical and text coverage of a large number of investment securities, with an emphasis placed on Value Line's proprietary research, analysis and statistical rankings. The Value Line Investment Survey is the Company's premier service published each week covering approximately 1,700 stocks.

The niche newsletters (Value Line Select, The Value Line Special Situations Service, The Value Line Fund Advisor, The Value Line Convertibles Survey and Value Line Daily Options Survey) provide information on a less comprehensive basis for securities that the Company believes will be of interest to subscribers. Some, although not all of these services make use of Value Line's proprietary statistical rankings.

Investment analysis software (The Value Line Investment Analyzer and Mutual Fund Survey for Windows®) includes data sorting and filtering tools. In addition, for institutional and professional subscribers, VLP offers current and historical financial databases (DataFile, Estimates & Projections, Convertibles and Mutual Funds) via CD-ROM or online.

Value Line offers online versions of most of its products at the Company's website, www.valueline.com. Subscribers to the print versions generally receive free access to the corresponding online versions, but online subscribers do not receive a free print edition. The most comprehensive of the Company's online efforts is The Value Line Research Center, which allows subscribers to access most of the Company publications at a packaged price via the Internet.

The print and electronic services include, but are not limited to the following:

The Value Line Investment Survey®

The Value Line Investment Survey is a weekly investment related periodical that in addition to various timely articles on current economic, financial and investment matters ranks common stocks for future relative performance based primarily on computer-generated statistics of financial results and stock price performance. Two of the evaluations for covered stocks are "Timeliness™" and "Safety™." Timeliness relates to the probable relative price performance of one stock over the next six to twelve months, as compared to the rest of the approximately 1,700 covered stocks. Rankings are updated each week and range from Rank 1 for the expected best performing stocks to Rank 5 for the expected poorest performers. "Safety" Ranks are a measure of risk and are based on the issuer's relative financial strength and its stock's price stability. "Safety" ranges from Rank 1 for the least risky stocks to Rank 5 for the riskiest. VLP employs analysts and statisticians who prepare articles of interest for each periodical and who evaluate stock performance and provide future earnings estimates and quarterly written evaluations with more frequent updates when relevant. The Value Line Investment Survey is comprised of three parts: The "Summary & Index" provides updated Timeliness and Safety ranks, selected financial data, and "screens" of key financial measures; the "Ratings and Reports" section contains updated reports on about 140 stocks each week; and the "Selection & Opinion" section provides economic commentary and data, general interest articles, and four portfolios selected by analysts covering a range of investment approaches. The Value Line Investment Survey is also referred to as The Value Line Investment Survey – Standard Edition.

The Value Line Investment Survey - Small and Mid-Cap Edition

The Value Line Investment Survey - Small and Mid-Cap Edition is a weekly publication introduced in 1995 that provides detailed descriptions of approximately 1,800 small and medium-capitalization stocks, many listed on the NASDAQ Exchange, beyond the approximately 1,700 stocks of generally larger-capitalization companies covered in The Value Line Investment Survey – Standard Edition. Similar to The Value Line Investment Survey, the Small and Mid-Cap Edition has its own "Summary & Index" providing updated performance ranks and other data, as well as "screens" of key financial measures. The "Ratings and Reports" section, providing updated reports on about 140 stocks each week, has been organized to correspond closely to the industries reviewed in The Value Line Investment

Survey – Standard Edition. A combined Index, published quarterly, allows subscribers to easily locate a specific stock among the approximately 3,500 stocks covered by both the Standard and Small and Mid-Cap Editions. One unique feature in the Small and Mid-Cap Edition is The Performance Ranking System. It incorporates many of the elements of the Value Line Timeliness Ranking System, modified to accommodate the approximately 1,800 stocks in the Small and Mid-Cap Edition. The Performance Rank is based on earnings growth and price momentum, and is designed to predict relative price performance over the next six to 12 months. The principal differences between the Small and Mid-Cap Edition and The Value Line Investment Survey - Standard Edition are that the Small and Mid-Cap Edition does not include Value Line's Timeliness Ranks, financial forecasts, analyst comments, or a Selection & Opinion section. These modifications allow VLP to offer this service at a price lower than the Standard Edition.

The Value Line Fund Advisor

The Value Line Mutual Fund Ranking System was introduced in 1993. It is the system utilized in the Fund Advisor product, a 48-page newsletter featuring load, no-load, and low-load open-end mutual funds. This product was originally introduced as The Value Line No-Load Fund Advisor in 1994 and augmented in 2009. Each issue offers strategies for maximizing total return, and model portfolios for a range of investor profiles. It also includes information about retirement planning, industry news, and specific fund reviews. A full statistical review, including latest performance, rankings, and sector weightings, is updated each month on approximately 800 leading load, no-load and low-load funds. Included with this product is online access to Value Line's database of more than 12,000 mutual funds, including screening tools and full-page printable reports on each fund. Fund Advisor Plus subscribers have access to the entire population of more than 18,000 funds.

The Value Line Special Situations Service

The Value Line Special Situations Service's core focus is on smaller companies whose stocks are perceived by Value Line Publishing's analysts as having exceptional appreciation potential. The publication was introduced in 1951. A second portfolio of stocks for more conservative and income-oriented investors seeking small company exposure was added in 2009.

The Value Line Daily Options Survey

The Value Line Daily Options Survey is an online only service that evaluates and ranks U.S. equity and equity index options (approximately 200,000). Features include an interactive database, spreadsheet tools, and a weekly email newsletter. This product is only offered as an online subscription due to the nature of options volatility and the power of the Internet to provide a materially enhanced product.

The Value Line Convertibles Survey

Introduced in 1972, the service evaluates and ranks over 600 convertible securities (bonds and preferred stocks) for future market performance. During fiscal 2010, The Value Line Convertibles Survey has also been switched to online only delivery. By moving to online only delivery, all of the product's subscribers can benefit from the newly enhanced website that includes daily price updates, individual analysis of each security with a printable fact sheet, and a weekly email newsletter alerting subscribers to recent rank changes.

Value Line Select

Value Line Select, a monthly publication, was first published in 1998. It focuses each month on a company that senior VLP analysts have chosen. Recommendations are backed by in-depth research and are subject to ongoing monitoring.

The Value Line 600

The Value Line 600 is a monthly service, which contains full-page reports on approximately 600 stocks. Its reports provide information on many actively traded, larger capitalization issues as well as some smaller growth stocks. Since it was introduced in fiscal 1996, it has been well received with investors who want the same type of analysis provided in The Value Line Investment Survey – Standard Edition, but who do not want or need coverage of the approximately 1,700 companies contained in that publication. Readers also receive supplemental reports as well as a monthly Index, which includes updated statistics.

Value Line Investment Analyzer

Value Line Investment Analyzer is a powerful menu-driven software program with fast filtering, ranking, reporting and graphing capabilities utilizing over 300 data fields for approximately 7,500 stocks, industries and indices, including the approximately 1,700 stocks covered in VLP's flagship publication, The Value Line Investment Survey.

Value Line Investment Analyzer allows subscribers to apply more than 60 charting and graphing variables for comparative research. In addition to containing digital replicas of the entire Value Line Investment Survey, the Analyzer includes 20-minute delayed data updates through its integration with the Value Line databases via the Internet. The software also includes a portfolio module that lets users create and track their own stock portfolios in depth with up to five years of historical financial data for scrutinizing performance, risk, yield and return.

Value Line Mutual Fund Survey for Windows®

Value Line Mutual Fund Survey for Windows® is a monthly CD-ROM product with weekly Internet updates. The program features powerful sorting and filtering analysis tools. It includes features such as style attribution analysis, a portfolio stress tester, portfolio rebalancing, correlation of fund returns and hypothetical assets. “For Windows” is a registered trademark of Microsoft Corp. Value Line, Inc. and Microsoft Corp. are not affiliated companies.

Value Line DataFile Products

For our institutional customers, Value Line offers both current and historical data for equities, mutual funds, ETFs, and convertibles. All Value Line DataFile products are offered in Microsoft Access and ASCII formats via FTP. Below is a listing of the Data File products:

Fundamental DataFile I and II

Value Line’s Fundamental DataFile I contains fundamental data (both current and historical) on approximately 8,000 publicly traded companies that follow US GAAP. This data product provides annual data from 1955, quarterly from 1963, and full 10-Q data from 1985. Additionally Value Line offers historical data on over 5,000 companies that no longer exist in nearly 100 industries via our “Dead Company” File. The Fundamental DataFile has over 400 annual and over 80 quarterly fields for each of the companies included in the database. DataFile is sold primarily to the institutional and academic markets. Value Line also offers a scaled down DataFile product, Fundamental DataFile II, which includes a limited set of historical fundamental data.

Estimates and Projections DataFile

This DataFile offering contains the proprietary estimates from Value Line's security analysts on approximately 1,700 companies. Data includes earnings, sales, cash flow, book value, margin, and others popular fields. Projections are for the year ahead and 3 to 5 years forward.

Mutual Fund DataFile

In fiscal 1997, VLP introduced the Value Line Mutual Fund DataFile. It covers over 20,000 mutual funds with up to 20 years of historical data with over 200 data fields. The Mutual Fund DataFile provides monthly pricing, basic fund information, weekly performance data, sector weights, and many other popular mutual fund data fields. This file is available for download from the Internet on a monthly basis.

ETF DataFile

Introduced in spring of 2010, this new product is an extensive ETF database containing the complete listing of every US-listed ETF and every component and component weight since inception for every ETF on a daily basis. This includes all rebalancing, cash components, excluded assets, and distributions adjusted automatically on a daily basis. The data also includes the total return of the ETF and the total return of the corresponding underlying index on a daily basis. ETFs are added to the database and corresponding data made available usually by the first day of trading.

Convertible DataFile

This database is one of the largest sources of information available on convertible securities. Value Line offers data elements on our universe of more than 600 convertible bonds, preferred stocks, and warrants, with our top 150 fundamental and proprietary data items on each security.

Value Line Research Center

The Value Line Research Center provides on-line access to select Company publications covering stocks, mutual funds, and options and convertible securities as well as special situation stocks. This service includes full online subscriptions to The Value Line Investment Survey, The Value Line Fund Advisor Plus, The Value Line Daily Options Survey, The Value Line Investment Survey - Small and Mid-Cap Edition, The Value Line Convertibles Survey and The Value Line Special Situations Service.

B. Copyright Data Fees Programs

The Company has copyright data, which it distributes under copyright data agreements for fees, which include certain proprietary ranking system information and other proprietary information used in third party products, such as unit investment trusts, variable annuities, managed accounts and exchange traded funds. The sponsors of these products act as wholesalers and distribute the products by syndicating them through an extensive network of national and regional brokerage firms. These broad marketing networks are assembled and re-assembled each time that a product is introduced into the retail marketplace by a product sponsor. The sponsors of these various products will typically receive copyright data for one or more proprietary ranking systems, which may include Value Line Timeliness, Safety, Technical and Performance ranks, as screens for their portfolios. The sponsors are also given permission to associate Value Line trademarks with the products. Value Line collects a copyright fee from each of the product sponsors/managers primarily based upon the market value of assets invested in each product's portfolio utilizing the Value Line proprietary data. Since these fees are based on the market value of the respective portfolios using the Value Line proprietary data, the payments to Value Line, which are typically received on a quarterly basis, will fluctuate.

Value Line's primary copyright products have been structured as Unit Investment Trusts, Exchange Traded Funds, annuity products and other types of managed products, all of which have in common some degree of reliance on ranking systems for their portfolio creation. Examples of Value Line's Copyright Data methodology can be found in the following three Value Line indexed Exchange Traded Funds now listed on the New York Stock Exchange:

First Trust Value Line Dividend Fund (FVD)

The FVD portfolio seeks to provide total return through a combination of current income and capital appreciation by investing in stocks selected by the third party using Value Line's Copyright Data from among U.S. exchange listed securities of companies that pay above average dividends and have the potential for capital appreciation.

First Trust Value Line 100 (FVL)

FVL's objective is to provide capital appreciation. It seeks to outperform the S&P 500 Index by adhering to a disciplined strategy of investing in a diversified portfolio of the 100 common stocks ranked #1 using Value Line's Copyright Data included in the Timeliness Ranking System.

First Trust Value Line Equity Allocation Fund (FVI)

The FVI portfolio invests in a subset of the #1 and #2 ranked stocks selected from Value Line's Copyright Data per the Value Line Timeliness, Safety, and Technical Ranking Systems. The third party authorized to use the Value Line Copyright Data purchases stocks in the index generated by the Company with the objective of capital appreciation.

Total assets managed by third parties participating in the copyright data programs were approximately \$2.6 billion as of April 30, 2010, through four clients.

C. Investment Management Services

As of April 30, 2010, the Company, through its subsidiary, EULAV Asset Management, LLC (“EULAV”), is the investment adviser for the Value Line Mutual Funds. Of the fourteen funds managed by the Company, shares of Value Line Strategic Asset Management Trust (“SAM”) and Value Line Centurion Fund are available to the public only through the purchase of certain variable annuity and variable life insurance contracts issued by The Guardian Insurance & Annuity Company, Inc. (“GIAC”). All fourteen of the Value Line Funds are managed by portfolio managers employed by EULAV.

EULAV Securities, Inc., (“ESI”), a wholly-owned subsidiary of the Company, is the distributor for the Value Line Funds. State Street Bank, an unaffiliated entity, is the custodian of the Funds' assets and provides fund accounting and administrative services to the Value Line Funds. Shareholder services for the Value Line Funds are provided by Boston Financial Data Services, an affiliate of State Street Bank.

During fiscal 2010, the Company’s investment management business faced volatile market conditions. The market segments favored by the Company’s investment management style, which emphasizes quality growth stocks, did not lead the market. As a result, the Value Line Funds underperformed their peers and the fund complex had net redemptions. While total fund assets remained relatively unchanged from the previous year, the S&P 500 stock index and Russell 2000 increased 39% and 49% respectively for the one year ended April 30, 2010. In fixed income markets, the Barclays Capital U.S. Aggregate Bond Index increased by 8.3% for the same one year period.

Total net assets of the Value Line Funds at April 30, 2010, were:

	(in thousands)
Value Line Emerging Opportunities Fund, Inc.	\$ 421,527
Value Line Strategic Asset Management Trust	366,108
Value Line Income and Growth Fund, Inc.	349,553
Value Line Premier Growth Fund, Inc.	322,616
Value Line Larger Companies Fund, Inc.	198,181
Value Line US Government Money Market Fund, Inc.	132,103
Value Line Centurion Fund, Inc.	128,897
Value Line Fund, Inc.	95,873
Value Line U.S. Government Securities Fund, Inc.	86,442
Value Line Tax Exempt Fund, Inc.	83,738
Value Line Asset Allocation Fund, Inc.	58,355
Value Line Convertible Fund, Inc.	25,884
Value Line Aggressive Income Trust	37,003
Value Line New York Tax Exempt Trust	16,801
	\$ 2,323,081

The following table shows the change in assets for the past three fiscal years including sales (inflows), redemptions (outflows), dividends and capital gain distributions, and market value change. Inflows for sales, and outflows for redemptions reflect decisions of individual investors. The table illustrates the assets within the Value Line Funds broken down into equity funds, variable annuity funds and fixed income funds.

Asset Flows

For the Years Ended April 30,	2010	2009
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