

VALUE LINE INC  
Form 10-K  
July 26, 2013

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, 2013

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  
(State or other jurisdiction of incorporation or  
organization)

13-3139843  
(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, \$0.10 par value  
(Title of class)

The NASDAQ Global Market  
(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

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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 o No

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).  
x Yes o 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.  
x

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 o      Accelerated filer o      Non-accelerated filer x      Smaller reporting company o

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

The aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates at October 31, 2012 was \$12,529,120.

There were 9,858,995 shares of the registrant's Common Stock outstanding at June 28, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement relating to the registrant's 2013 Annual Meeting of Shareholders, to be held on September 19, 2013, are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

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Cautionary Statement Regarding Forward-Looking Information

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, as amended. Actual results for Value Line, Inc. (“Value Line” or “the Company”) 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 digital and print published products;
- protection of intellectual property rights;
- changes in market and economic conditions, including global financial issues;
- dependence on non-voting revenues and non-voting profits interests in EULAV Asset Management, a Delaware statutory trust (“EAM” or “EAM Trust”), which serves as the investment advisor to the Value Line Funds and engages in related distribution, marketing and administrative services;
- fluctuations in EAM’s assets under management due to broadly based changes in the values of equity and debt securities, redemptions by investors and other factors, and the effect these changes may have on the valuation of EAM’s intangible assets;
- competition in the fields of publishing, copyright data and investment management;
- the impact of government regulation on the Company’s and EAM’s businesses;
- availability of free or low cost investment data through discount brokers or generally over the internet;
- terrorist attacks, cyber security attacks and natural disasters;
- other risks and uncertainties, including but not limited to the risks described in Item 1A, “Risk Factors” herein; and
- other risks and uncertainties arising from time to time.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors which may involve external factors over which we may have no control or changes in our plans, strategies, objectives, expectations or intentions, which may happen at any time at our discretion, could also have material adverse effects on future results. Except as otherwise required to be disclosed in periodic reports required to be filed by public companies with the SEC pursuant to the SEC’s rules, we have no duty to update these statements, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, current plans, anticipated actions, and future financial conditions and results may differ from those expressed in any forward-looking information contained herein.

Explanatory Notes

References in this Annual Report on Form 10-K for the fiscal year ending April 30, 2013, to “the Company”, “Value Line”, “we”, “us” and “our” refer to Value Line, Inc. and its consolidated subsidiaries, unless the context otherwise requires. In addition, unless the context otherwise requires, references to:

“fiscal 2013” is to the twelve month period from May 1, 2012 to April 30, 2013;

“fiscal 2012” is to the twelve month period from May 1, 2011 to April 30, 2012;

“fiscal 2011” is to the twelve month period from May 1, 2010 to April 30, 2011;

the “Adviser” or “EAM” are to EULAV Asset Management Trust, a Delaware business statutory trust;

the “Distributor” or “ES” are to EULAV Securities LLC, a Delaware limited liability company wholly owned by EAM;

“EAM LLC” is to EULAV Asset Management LLC, a Delaware limited liability company and wholly-owned former subsidiary of the Company, which prior to the Restructuring Date, was the adviser to the Value Line Funds;

“ESI” is to EULAV Securities, Inc., a New York corporation and wholly-owned subsidiary of the Company which, prior to the Restructuring Date was the distributor of the Value Line Funds;

the “EAM Declaration of Trust” is to the EAM Declaration of Trust dated December 23, 2010;

the “Restructuring Date” is to December 23, 2010, the effective date of the Restructuring Transaction;

the “Restructuring Transaction” is to the restructuring of the Company’s asset management and mutual fund distribution businesses whereby (1) ESI was restructured into ES, (2) the Company transferred 100% of its ownership interest in ES to EAM LLC, (3) EAM LLC was converted into EAM and (4) the capital structure of EAM was established so that the Company owns only non-voting revenue and non-voting profits interests of EAM, and each of five individuals owns 20% of the voting profits interests of EAM; and

the “Value Line Funds” or the “Funds” are to the Value Line’s Mutual Funds registered under the Investment Company Act of 1940 for which EAM serves (and, prior to the Restructuring Date, EAM LLC served) as investment adviser.

Part I

Item 1. BUSINESS.

Value Line is a New York corporation headquartered in New York City and formed in 1982. The Company's primary business is producing investment periodicals and related publications and making available copyright data, including certain Proprietary Ranking System and other proprietary information, to third parties under written agreements for use in third-party managed and marketed investment products. Value Line markets under well-known brands including Value Line®, the Value Line logo®, The Value Line Investment Survey®, and The Most Trusted Name in Investment Research™. The name "Value Line" as used to describe the Company, its products, and its subsidiaries, and is a registered trademark of the Company. Prior to December 23, 2010, the date of the completion of the Restructuring Transaction (see "Restructuring of Asset Management and Mutual Fund Distribution Businesses" below), the Company provided investment management services to the Value Line® Mutual Funds ("Value Line Funds"), institutional and individual accounts and provided distribution, marketing, and administrative services to the Value Line Funds.

The Company is the successor to substantially all of the operations of Arnold Bernhard & Company, Inc. ("AB&Co."). AB&Co. is the controlling shareholder of the Company and, as of April 30, 2013, beneficially owns approximately 87.4% of the outstanding shares of the common stock of the Company. Jean B. Buttner, the Company's former Chief Executive Officer, owns all of the outstanding voting stock of AB&Co.

Restructuring of Asset Management and Mutual Fund Distribution Businesses

As more fully discussed in the Company's Form 10-K for the fiscal year ended April 30, 2011 filed with the SEC on July 29, 2011, (the "2011 Form 10-K"), the Company completed the restructuring of its asset management and mutual fund distribution businesses (the "Restructuring Transaction") on December 23, 2010 (the "Restructuring Date") and executed the EAM Declaration of Trust (the "EAM Declaration of Trust"). As part of the Restructuring Transaction: (1) EULAV Securities, Inc. ("ESI"), a New York corporation and wholly-owned subsidiary of the Company that acted as the distributor of the Value Line Funds was restructured into EULAV Securities LLC ("ES"), a Delaware limited liability company; (2) the Company transferred 100% of its interest in ES to EULAV Asset Management LLC ("EAM LLC"), a wholly-owned subsidiary of the Company that acted as the investment adviser to the Value Line Funds and certain separate accounts; (3) EAM LLC was converted into EAM; and (4) EAM admitted five individuals (the "Voting Profits Interest Holders"), as the initial holders of voting profits interests in EAM, with each of such individuals owning 20% of the voting profits interests of EAM, and (5) pursuant to the EAM Declaration of Trust, the Company received an interest in certain revenues of EAM and a portion of the residual profits of EAM but has no voting authority with respect to the election or removal of the trustees of EAM.

The business of EAM is managed by five individual trustees and a Delaware resident trustee (collectively, the "Trustees") and by its officers subject to the direction of the Trustees.

Collectively, the holders of the voting profits interests in EAM are entitled to receive 50% of the residual profits of the business, subject to temporary adjustments in certain circumstances. Value Line retains a non-voting profits interest representing 50% of residual profits, subject to temporary adjustments in certain circumstances, and has no power to vote for the election, removal or replacement of the trustees of EAM. Value Line also has a non-voting revenues interest in EAM pursuant to which it is entitled to receive a portion of the non-distribution revenues of the business ranging from 41% at non-distribution fee revenue levels of \$9 million or less to 55% at such revenue levels of \$35 million or more. In the event the business is sold or liquidated, the first \$56.1 million of net proceeds (the value of the business at the time the Restructuring Transaction was approved as determined by the directors of Value Line after reviewing a valuation report by the directors' financial advisors) plus any additional capital contributions

(Value Line or any holder of a voting profits interest, at its discretion, may make future contributions to its capital account in EAM), which contributions would increase its capital account but not its percentage interest in operating profits, will be distributed in accordance with capital accounts; 20% of the next \$56.1 million will be distributed to the holders of the voting profits interests and 80% to the holder of the non-voting profits interests (currently, Value Line); and the excess will be distributed 45% to the holders of the voting profits interests and 55% to the holder of the non-voting profits interest (Value Line). EAM has elected to be taxed as a pass-through entity similar to a partnership.

Also, in connection with the Restructuring Transaction and pursuant to the EAM Declaration of Trust, Value Line (1) granted each Fund use of the name “Value Line” so long as EAM remains the Fund’s adviser and on the condition that the Fund does not alter its investment objectives or fundamental policies from those in effect on the date of the investment advisory agreement with EAM, provided also that the Funds do not use leverage for investment purposes or engage in, short selling or other complex or unusual investment strategies that create a risk profile similar to that of so-called hedge funds, (2) agreed to provide EAM its Proprietary System information without charge or expense on as favorable a basis as to Value Line’s best institutional customers and (3) agreed to capitalize the business with \$7 million of cash and cash equivalents at inception.

EAM is organized as a Delaware statutory trust and has no fixed term. However, in the event that control of the Company’s majority shareholder changes, or in the event that the majority shareholder no longer beneficially owns 5% or more of the voting securities of the Company, then the Company has the right, but not the obligation, to buy the voting profits interests in EAM at a fair market value to be determined by an independent valuation firm in accordance with the terms of the EAM Declaration of Trust.

Value Line also has certain consent rights with respect to extraordinary events involving EAM, such as a proposed sale of all or a significant part of EAM, material acquisitions, entering into businesses other than asset management and fund distribution, paying compensation in excess of the mandated limit of 22.5%-30% of non-distribution fee revenues (depending on the level of such revenues), declaring voluntary bankruptcy, making material changes in tax or accounting policies or making substantial borrowings, and entering into related party transactions. These rights were established to protect Value Line’s non-voting revenues and non-voting profits interests in EAM.

The Restructuring Transaction enabled the Company to comply with an order issued by the SEC on November 4, 2009, by ending its control of the EAM regulated entities.

#### A. Investment Related Periodicals & Publications

The investment periodicals and related publications offered by Value Line Publishing LLC (“VLP”), a wholly-owned entity of the Company, cover a broad spectrum of investments including stocks, mutual funds, options and convertible securities. The Company’s periodicals and related publications and 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, 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 ranks. The Value Line Investment Survey is the Company’s premier service, published each week and covering approximately 1,700 stocks.

The niche newsletters (The Value Line Special Situations Service®, The Value Line Fund Advisor, The Value Line Convertibles Survey and The Value Line 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 ranks. Value Line Select® is a targeted service with an emphasis on Value Line's proprietary in-depth research analysis and statistical selections trended toward an investor's specialized investment style. Value Line Dividend Select, launched in June 2011, initiates Value Line's targeted coverage of high dividend yielding stocks.

Value Line offers online versions of most of its products at the Company's website, [www.valueline.com](http://www.valueline.com). Subscribers to the print versions have in some cases received free access to the corresponding online versions, although online subscribers do not receive a free print edition. The Company is transitioning to a model of separate digital and print products in the retail area. The most comprehensive of the Company's online efforts is The Value Line Research Center, which allows subscribers to access most of the Company's publications at a packaged price via the Internet.

Investment analysis software (The Value Line Investment Analyzer and The Value Line 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 online.

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

#### The Value Line Investment Survey

The Value Line Investment Survey is an investment periodical research product providing both timely articles on economic, financial and investment matters and analysis and ranks for equity securities. Ranks indicate projected relative performance based primarily on computer-generated statistics of financial results and stock price performance. Two of the evaluations for covered equity securities are "Timeliness™" and "Safety™." "Timeliness" Ranks relate 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 stocks covered. Ranks 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 130 stocks each week; and the "Selection & Opinion" section provides economic commentary and data, general interest articles, and four model portfolios managed by analysts covering a range of investment approaches.

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

The Value Line Investment Survey - Small and Mid-Cap is an investment research product introduced in 1995 that provides short descriptions of and extensive data for approximately 1,800 small and medium-capitalization stocks, many listed on The NASDAQ Stock Market, beyond the approximately 1,700 equity securities of generally larger-capitalization companies covered in The Value Line Investment Survey. Like The Value Line Investment Survey, the Small and Mid-Cap has its own "Summary & Index" providing updated performance ranks and other data, as well as "screens" of key financial measures and two model portfolios. The "Ratings and Reports" section, providing updated reports on about 140 equity securities each week, has been organized to correspond closely to the industries reviewed in The Value Line Investment Survey. One unique feature of the Small and Mid-Cap is The Performance Ranking System, which incorporates many of the elements of the Value Line Timeliness Ranking System, modified to accommodate the approximately 1,800 equity securities in the Small and Mid-Cap Survey. 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 Survey and The Value Line Investment Survey are that the Small and Mid-Cap Survey 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 lower price.

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#### 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, ranks, 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 up to 20,000 funds.

#### The Value Line Special Situations Service

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

#### The Value Line Options Survey

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

#### The Value Line Convertibles Survey

Introduced in 1972, this service evaluates and ranks over 550 convertible securities (bonds and preferred stocks) for future market performance. In fiscal 2010, The Value Line Convertibles Survey became an online only product. By moving to online only delivery, all of the product's subscribers benefit from an 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 report, was first published in 1998. It focuses each month on a single company that senior Value Line analysts have selected from a group of high-quality companies whose stocks are viewed as having superior total return potential. Recommendations are backed by in-depth research and are subject to ongoing monitoring by senior research personnel.

#### Value Line Dividend Select

Value Line Dividend Select, a monthly report, was introduced in June 2011. This product focuses on companies with dividend yields greater than the average of all stocks covered by Value Line, with a preference for companies that have consistently increased their dividends above the rate of inflation over the longer term and, based on Value Line analysis, have the financial strength both to support and increase dividend payments in the future. Value Line Dividend Select is available online and in print.

## The Value Line 600

*The Value Line 600* is a monthly publication, which contains full-page reports on approximately 600 equity securities. 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 by investors who want the same type of analysis provided in *The Value Line Investment Survey*, but who do not want or need coverage of the approximately 1,700 companies covered by that product. 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 350 data fields for various industries and indices and for 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 Value Line Investment 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 Investment Analyzer Professional is a more comprehensive product which covers over 6,000 stocks and allows subscribers to create standardized and customized screens.

### The Value Line Mutual Fund Survey for Windows®

Value Line Mutual Fund Survey for Windows is a monthly Internet product with weekly 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. "Windows" is a registered trademark of Microsoft Corp. Value Line 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, exchange traded 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 DataFile products:

#### Fundamental DataFile I and II

Value Line's Fundamental DataFile I contains fundamental data (both current and historical) on approximately 6,400 publicly traded companies that follow U.S. generally accepted accounting principles ("GAAP"). This data product provides annual data from 1955, quarterly data from 1963, and full quarterly data as reported to the SEC from 1985. Value Line also offers historical data on over 9,500 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 and projections from Value Line analysts on approximately 1,700 companies. Data includes earnings, sales, cash flow, book value, margin, and other popular fields. Estimates are for the current year and next year, while projections encompass the three to five year period.

#### Mutual Fund DataFile

The Value Line Mutual Fund DataFile covers more than 20,000 mutual funds with up to 20 years of historical data with more than 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 product is an extensive database containing the complete listing of every U.S.-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 investment research products covering stocks, mutual funds, 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, The Value Line Convertibles Survey and The Value Line Special Situations Service. Users can screen more than 250 data fields, create graphs using 25 different variables, and access up to five years of technical history. The Value Line Research Center has the ability to track model portfolios, (large, small and mid-cap) as well as providing ranks and news.

#### B. Copyright Data Fees Programs

The Company has copyright data, which include certain Proprietary Ranking System information and other proprietary information made available for use in third party products, such as unit investment trusts, variable annuities, managed accounts and exchange traded funds, which it distributes under copyright data agreements. 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. 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's 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 data products are structured as ETFs, annuity products and other types of managed products, all of which have in common some degree of reliance on the Value Line Ranks for their portfolio creation. These products are offered and distributed by our sponsors. The current largest sponsors include First Trust Advisors and Jackson National Life Insurance. Examples of Value Line's Copyright Data methodology can be found in the following three Value Line indexed ETFs 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 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.

#### C. Investment Management Services

Until December 23, 2010, the Company, through its wholly-owned subsidiary EAM LLC, was the investment adviser for the Value Line Funds. Since December 23, 2010, EAM has acted as the Adviser to the Value Line Funds. The Funds' shares of Value Line Strategic Asset Management Trust ("SAM") and Value Line Centurion Fund ("Centurion") 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 of the Value Line Funds are managed by portfolio managers employed by EAM.

Until December 23, 2010, the Company through its wholly-owned subsidiary ESI, was the distributor for the Value Line Funds. Since December 23, 2010, ES has acted as the Distributor for the Value Line Funds. State Street Bank, an unaffiliated entity, is the custodian of the assets of the Value Line Funds and provides them with fund accounting and administrative services. Shareholder services for the Value Line Funds are provided by Boston Financial Data Services, an affiliate of State Street Bank.

As of the Restructuring Date, the Company deconsolidated its asset management and mutual fund distribution businesses and its interests in these businesses were restructured as non-voting revenues and non-voting profits interests in EAM. Accordingly, the Company no longer reports this operation as a separate business segment, although it still maintains a significant interest in the cash flows generated by this business and will continue to receive ongoing payments in respect of its non-voting revenues and non-voting profits interests, as discussed below. Total assets in the Value Line Funds managed and/or distributed by EAM at April 30, 2013, were \$2.19 billion, which is 3.5% above total assets of \$2.11 billion in the Value Line Funds managed by EAM at April 30, 2012.

During fiscal 2012, the Value Line Convertible Fund, Inc. was merged into the Value Line Income and Growth Fund, Inc. In fiscal 2013, the Value Line Funds' Board approved a change in the strategy of the Value Line Aggressive Income Trust and a name change to the Value Line Core Bond Fund and a name change of the Value Line Emerging Opportunities Fund to Value Line Small Cap Opportunities Fund. In addition, during fiscal 2013, the Value Line New York Tax Exempt Trust merged into the Value Line Tax Exempt Fund, the Value Line U.S. Government Securities Fund merged into the Value Line Core Bond Fund, and the U.S. Government Money Market Fund ("USGMMF"), merged into a third party fund, the Daily Income Fund, managed by Reich & Tang Asset Management LLC ("Reich & Tang"). EAM distributes the Daily Income Fund on behalf of Reich & Tang and the Value Line Funds' transfer agent maintains the shareholder accounts on behalf of the shareholders who invest in the Daily Income Fund.

Total net assets of the Value Line Funds at April 30, 2013, were:

|   |    | (\$ in thousands) |
|---|----|-------------------|
| Value Line Premier Growth Fund, Inc.          | \$ | 368,436           |
| Value Line Strategic Asset Management Trust   |    | 335,561           |
| Value Line Income and Growth Fund, Inc.       |    | 311,112           |
| Value Line Small Cap Opportunities Fund, Inc. |    | 307,913           |
| Value Line Larger Companies Fund, Inc.        |    | 189,346           |
| Value Line Asset Allocation Fund, Inc.        |    | 165,534           |
| Value Line Centurion Fund, Inc.               |    | 140,757           |
| Value Line Fund, Inc.                         |    | 114,212           |
| Value Line Core Bond Fund                     |    | 101,619           |
| Value Line Tax Exempt Fund, Inc.              |    | 89,869            |
| Total EAM managed net assets                  | \$ | 2,124,358         |
| Daily Income Fund managed by Reich & Tang     |    | 61,917            |
| Total net assets                              | \$ | 2,186,276         |

Investment management fees and distribution service fees (which we refer to as “12b-1fees”) vary among the Value Line Funds and may be subject to certain limitations. Certain investment strategies among the equity funds include, but are not limited to, reliance on the Value Line Timeliness™ Ranking System (the “Ranking System”) and/or the Value Line Performance Ranking System in selecting securities for purchase or sale. The Ranking System compares an estimate of the probable market performance of each stock during the next six to twelve months to that of all of the approximately 1,700 stocks under review and ranks stocks on a scale of 1 (highest) to 5 (lowest). All the stocks followed by the Ranking System are listed on U.S. stock exchanges or traded in the U.S. over-the-counter markets. Prospectuses and annual reports for each of the Value Line open end mutual funds are available on the Funds’ website [www.vlfunds.com](http://www.vlfunds.com). Each mutual fund may use “Value Line” in its name only to the extent permitted by the terms of the EAM Declaration of Trust.

#### D. Wholly-Owned Operating Subsidiaries

Wholly-owned operating subsidiaries of the Company as of April 30, 2013 include the following:

1. Value Line Publishing LLC (“VLP”) is the publishing unit for the investment related periodical publications and copyright data.
2. The Vanderbilt Advertising Agency, Inc. places advertising on behalf of the Company’s publications.
3. Compupower Corporation (“CPWR”) provides subscription fulfillment services and subscriber relations services for VLP’s publications.
4. Value Line Distribution Center, Inc. (“VLDC”) primarily handles all of the mailings of the publications to VLP’s subscribers. Additionally, VLDC provides office space for CPWR’s subscriber relations and data processing

departments, and provides a disaster recovery site for the New York operations.

#### E. Trademarks

The Company holds trademark and service mark registrations for various names and logo in multiple countries. Value Line believes that these trademarks and service marks provide significant value to the Company and are an important factor in the marketing of its products and services, as well as in the marketing of the Value Line Funds, now managed by EAM. All of the Company's trademarks and service marks are valid as long as they are in use and their registrations are properly maintained. The Company is utilizing all of its trademarks and service marks and properly maintaining all registrations.

#### F. Investments

As of April 30, 2013 and April 30, 2012, the Company held total investment assets (excluding its interests in EAM) with a fair market value of \$6,682,000 and \$3,881,000, respectively, including equity securities classified as available-for-sale, which consist of investments in common stocks, ETFs that attempt to replicate the performance of certain equity indexes, ETFs that attempt to replicate the inverse of the price performance of certain equity indexes and ETFs that hold preferred shares primarily of financial institutions. As of April 30, 2013 and April 30, 2012, the Company held equity securities consisting primarily of ETFs and select common stock holdings of blue chip companies with a concentration on large capitalization companies with high relative dividend yields, all classified as securities available-for-sale on the Consolidated Balance Sheets. Additionally, as of April 30, 2013 and April 30, 2012, the Company held non-leveraged ETFs, classified as securities available-for-sale, whose performance inversely corresponds to the market value changes of investments in other ETF securities held in the equity portfolio for dividend yield. The Company did not hold any fixed income securities at April 30, 2013 or April 30, 2012.

#### G. Employees

At April 30, 2013, the Company and its subsidiaries employed 186 people.

The Company and its affiliates, officers, directors and employees may from time to time own securities which are also held in the portfolios of the Value Line Funds or recommended in the Company's publications. Value Line analysts are not permitted to own securities of the companies they cover. The Company has adopted rules requiring reports of securities transactions by employees for their respective accounts. The Company has also established policies restricting trading in securities whose ranks are about to change in order to avoid possible conflicts of interest.

#### H. Principal Business Segments

The information with respect to revenues from external customers and profit and loss of the Company's identifiable principal business segments is incorporated herein by reference to Note 10 of the Notes to the Company's Consolidated Financial Statements included in this Form 10-K.

Prior to December 23, 2010, the Company's businesses consolidated into two reportable business segments. The investment periodicals and related publications (retail and institutional) and fees from copyright data, including the Proprietary Ranking System information and other proprietary information, consolidated into one segment called Publishing, and the investment management services to the Value Line Funds and other managed accounts were consolidated into a second business segment called Investment Management. Subsequent to December 23, 2010, the effective date of the Restructuring Transaction, the Publishing segment constitutes the Company's only reportable business segment.



## I. Competition

The investment information and publishing business conducted by the Company and the investment management business conducted by EAM are very competitive. There are many competing firms and a wide variety of product offerings. Some of the firms in these industries are substantially larger and have greater financial resources than the Company and EAM. The Internet continues to increase the amount of competition in the form of free and paid online investment research. With regard to the investment management business conducted by EAM, the prevalence of broker supermarkets or platforms permitting easy transfer of assets among mutual funds, mutual fund families, and other investment vehicles tends to increase the speed with which shareholders can leave or enter the Value Line Funds based, among other things, on short term fluctuations in performance.

## J. Executive Officers of the Registrant

The following table lists the names, ages (at June 28, 2013), and principal occupations and employment during the past five years of the Company's Executive Officers. All officers are elected to terms of office for one year. Except as noted, each of the following has held an executive position with the companies indicated for at least five years.

| Name                 | Age | Principal Occupation or Employment   |
|----------------------|-----|--|
| Howard A. Brecher    | 59  | Chairman and Chief Executive Officer since October 2011; Acting Chairman and Acting Chief Executive Officer from November 2009 to October 2011; Chief Legal Officer; Vice President and Secretary until January 2010; Vice President and Secretary of each of the Value Line Funds from June 2008 to December 2010; Secretary of EAM LLC from February 2009 until December 2010; Director and General Counsel of AB&Co. Mr. Brecher has been an officer of the Company for more than 20 years. |
| Stephen R. Anastasio | 54  | Vice President since December 2010; Director since February 2010; Treasurer since 2005; Treasurer of each of the Value Line Funds from September 2005 to August 2008. Mr. Anastasio has been an officer of the Company for more than 10 years.   |

## WEB SITE ACCESS TO SEC REPORTS

The Company's Internet site address is [www.valueline.com](http://www.valueline.com). The Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports are made available on the "Corporate Filings" page under the "About Value Line" tab on the Company's website @[www.valueline.com/About/corporate\\_filings.aspx](http://www.valueline.com/About/corporate_filings.aspx). free of charge as soon as reasonably practicable after the reports are filed electronically with the SEC. All of the Company's SEC reports are also available on the SEC Internet site, [www.sec.gov](http://www.sec.gov).

## ITEM 1A. RISK FACTORS

In addition to the risks referred to elsewhere in this Form 10-K, the following risks, among others, sometimes may have affected, and in the future could affect, the Company's businesses, financial condition or results of operations and/or the investment management business conducted by EAM and consequently, the amount of revenue we receive from EAM. The risks described below are not the only ones we face. Additional risks not discussed or not

presently known to us or that we currently deem insignificant, may also impact our businesses.

The Company and its subsidiaries are dependent on the efforts of its executives and professional staff.

The Company's future success relies upon its ability to retain and recruit qualified professionals and executives. The Company's executive officers do not have employment agreements with the Company and the Company does not maintain "key man" insurance policies on any of its executive officers. The loss of the services of key personnel could have an adverse effect on the Company.



A decrease in the revenue generated by EAM's investment management business could adversely affect the Company's cash flow and financial condition.

The Company derives a significant portion of its cash flow from its non-voting revenues and non-voting profits interests in EAM. A decrease in the revenue generated by EAM's investment management business, whether resulting from performance, competitive, regulatory or other reasons, would reduce the amount of cash flow received by the Company from EAM, which reduction could adversely affect the Company's cash flow and financial condition.

EAM's assets under management, which impact EAM's revenue, and consequently the amount of the cash flow that the Company receives from EAM, are subject to fluctuations based on market conditions and individual fund performance.

Financial market declines and/or adverse changes in interest rates would generally negatively impact the level of EAM's assets under management and consequently its revenue and net income. Major sources of investment management revenue for EAM (i.e., investment management and service and distribution fees) are calculated as percentages of assets under management. A decline in securities prices or in the sale of investment products or an increase in fund redemptions would reduce fee income. A prolonged recession or other economic or political events could also adversely impact EAM's revenue if it led to decreased demand for products, a higher redemption rate, or a decline in securities prices. Good performance of managed assets relative to both competing products and benchmark indices generally assists in both retention and growth of assets, and may result in additional revenues. Conversely, poor performance of managed assets relative to competing products or benchmark indices tends to result in decreased sales and increased redemptions with corresponding decreases in revenues to EAM. Poor performance could, therefore reduce the amount of cash flow that the Company receives from EAM, which reduction could adversely affect the Company's financial condition.

EAM derives all of its investment management fees from the Value Line Funds.

EAM is dependent upon management contracts and service and distribution contracts with the Value Line Funds under which these fees are paid. As required by the Investment Company Act of 1940 (the "1940 Act"), the Trustees/Directors of the Funds, all of whom are all independent of the Company and of EAM, have the right to terminate such contracts. If any of these contracts are terminated, not renewed, or amended to reduce fees, EAM's financial results, and consequently, the amount of cash flow received by the Company from EAM, and the Company's financial condition, may be adversely affected.

If the Company does not maintain its subscriber base, its operating results could suffer.

A substantial portion of the Company's revenue is generated from print and digital subscriptions, which are paid in advance by subscribers. Unearned revenues are accounted for on the Consolidated Balance Sheets of the Company within current and long term liabilities. The backlog of orders is primarily generated through renewals and new subscription marketing efforts as the Company deems appropriate. Future results will depend on the renewal of existing subscribers and obtaining new subscriptions for the investment periodicals and related publications. The availability of competitive information on the Internet at low or no cost has had and may continue have a negative impact on the demand for our products.

The Company believes that the negative trend in overall subscription revenue experienced in recent years is likely to continue if the Company's historic dependence on the retail market continues.

During the last several years, the Company has experienced a negative trend in overall subscription revenue. The Company believes that this trend is likely to continue until initiatives to increase business in the professional investor market segment result in greater revenues, which is not assured. New products are being developed for this segment, and sales efforts have increased. The Company has established the goal of developing competitive digital products and marketing them effectively through traditional and digital channels to retail and institutional customers. Towards

that end, Company staff is developing marketing strategies and modernizing legacy information technology systems. However, the Company is not able to predict when these efforts will result in the launch of new products or whether they will be successful in reversing the trend of declining subscription revenues, nor can the Company predict whether its initiatives to increase business in the professional investor market segment will be successful.

Loss of copyright data clients or decline in their customers, or assets managed by third party sponsors could reduce the Company's revenues.

Copyright data agreements are based on market interest in the respective proprietary information. If the fees from proprietary information decline, the Company's operating results could suffer.

Failure to protect its intellectual property rights and proprietary information could harm the Company's ability to compete effectively and could negatively affect operating results.

The Company's trademarks are important assets to the Company. Although its trademarks are registered in the United States and in certain foreign countries, the Company may not always be successful in asserting global trademark protection. In the event that other parties infringe on its intellectual property rights and it is not successful in defending its intellectual property rights, the result may be a dilution in the value of the Company's brands in the marketplace. If the value of the Company's brands becomes diluted, such developments could adversely affect the value that its customers associate with its brands, and thereby negatively impact its sales. Any infringement of our intellectual property rights would also likely result in a commitment of Company resources to protect these rights through litigation or otherwise. In addition, third parties may assert claims against our intellectual property rights and we may not be able successfully to resolve such claims. All of the Company's trademarks are valid as long as they are in use and their registrations are properly maintained. The Company is utilizing all of its trademarks and properly maintaining registrations for them.

Adverse changes in market and economic conditions could lower demand for the Company's and EAM's products and services.

The Company provides its products and services to individual investors, financial advisors, and institutional clients. Adverse conditions in the financial and securities markets may have an impact on the Company's subscription revenues, securities income, and copyright data fees which could adversely affect the Company's results of operations and financial condition. Adverse conditions in the financial and securities markets could also have an adverse effect on EAM's investment management revenues and reduce the amount of cash flow that the Company receives from EAM, which reduction could adversely affect the Company's financial condition.

The Company and EAM face significant competition in their respective businesses.

Both the investment information and publishing business conducted by the Company and the investment management business conducted by EAM are very competitive. There are many competing firms and a wide variety of product offerings. Some of the firms in these industries are substantially larger and have greater financial resources than the Company and EAM. With regard to the investment information and publishing business, barriers to entry have been reduced by the minimal cost structure of the Internet and other technologies. With regard to the investment management business, the absence of significant barriers to entry by new investment management firms in the mutual fund industry increases competitive pressure. Competition in the investment management business is based on various factors, including business reputation, investment performance, quality of service, marketing, distribution services offered, the range of products offered and fees charged. Access to mutual fund distribution channels has also become increasingly competitive.

Government regulations, any changes to government regulations, and regulatory proceedings and litigation may adversely impact the business of the EAM.

Changes in legal, regulatory, accounting, tax and compliance requirements could have an effect on EAM's operations and results, including but not limited to increased expenses and restraints on marketing certain funds and other investment products. EAM is registered with the SEC under the Investment Advisers Act of 1940 (the "Advisers Act"). The Advisers Act imposes numerous obligations on registered investment advisers, including fiduciary, record keeping, operational and disclosure obligations. ES is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority, also known as "FINRA". Each Value Line Fund is a registered investment company under the 1940 Act. The 1940 Act requires numerous compliance measures, which must be observed, and involves regulation by the SEC. Each fund and its shareholders may face adverse tax consequences if the Value Line Funds are unable to maintain qualification as registered investment companies under the Internal Revenue Code of 1986, as amended. Those laws and regulations generally grant broad administrative powers to regulatory agencies and bodies such as the SEC and FINRA. If these agencies and bodies believe that EAM, ES or the Value Line Funds have failed to comply with their laws and regulations, these agencies and bodies have the power to impose sanctions. EAM, ES and the Value Line Funds, like other companies, can also face lawsuits by private parties. Regulatory proceedings and lawsuits are subject to uncertainties, and the outcomes are difficult to predict. Changes in laws, regulations or governmental policies, and the costs associated with compliance, could adversely affect the business and operations of the EAM, ES and the Value Line Funds. An adverse resolution of any regulatory proceeding or lawsuit against the EAM or ES could result in substantial costs or reputational harm to them or to the Value Line Funds and have an adverse effect on their respective business and operations. An adverse effect on the business and operations of EAM, ES and/or the Value Line Funds could reduce the amount of cash flow that the Company receives in respect of its non-voting revenues and non-voting profits interests in EAM and, consequently, could adversely affect the Company's cash flows, results of operations and financial condition.

Terrorist attacks could adversely affect the Company and EAM.

A terrorist attack, including biological or chemical weapons attacks, and the response to such terrorist attacks, could have a significant impact on the New York City area, the local economy, the United States economy, the global economy, and U.S. and/or global financial markets, and could also have a material adverse effect on the Company's business and on the investment management business conducted by EAM.

Our controlling stockholder exercises voting control over the Company and has the ability to elect or remove from office all of our directors.

As of April 30, 2013, AB&Co. beneficially owned approximately 87.4% of the outstanding shares of the Company's voting stock. AB&Co. is therefore able to exercise voting control with respect to all matters requiring stockholder approval, including the election or removal from office of all of our directors.

We are not subject to most of the listing standards that normally apply to companies whose shares are quoted on NASDAQ.

Our shares of common stock are quoted on the NASDAQ Global Market ("NASDAQ"). Under the NASDAQ listing standards, we are deemed to be a "controlled company" by virtue of the fact that AB&Co. has voting power with respect to more than 50% of our outstanding shares of voting stock. A controlled company is not required to have a majority of its board of directors comprised of independent directors. Director nominees are not required to be selected or recommended for the board's selection by a majority of independent directors or a nomination committee comprised solely of independent directors, nor do the NASDAQ listing standards require a controlled company to certify the adoption of a formal written charter or board resolution, as applicable, addressing the nominations process. A controlled company is also exempt from NASDAQ's requirements regarding the determination of officer compensation by a majority of the independent directors or a compensation committee comprised solely of

independent directors. Although we currently comply with certain of the NASDAQ listing standards that do not apply to controlled companies, our compliance is voluntary, and there can be no assurance that we will continue to comply with these standards in the future.

We are subject to cyber security risks and may incur costs in connection with our efforts to enhance and ensure security from cyber security attacks.

Substantial aspects of our business depend on the secure operation of our computer systems and e-commerce websites. Security breaches could expose us to a risk of loss or misuse of sensitive information, including our own proprietary information and that of our customers and employees. While we devote substantial resources to maintaining adequate levels of cyber security, our resources and technical sophistication may not be adequate to prevent all of the rapidly evolving types of cyber attacks. Anticipated attacks and risks may cause us to incur increasing costs for technology, personnel and services to enhance security or to respond to occurrences. We maintain cyber risk insurance, but this insurance may not be sufficient to cover all of our losses from any possible future breaches of our systems.

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Changes to existing accounting pronouncements or taxation rules or practices may affect how we conduct our business and affect our reported results of operations.

New accounting pronouncements or tax rules and varying interpretations of accounting pronouncements or taxation practice have occurred and may occur in the future. A change in accounting pronouncements or interpretations or taxation rules or practices can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. Changes to existing rules and pronouncements, future changes, if any, or the questioning of current practices or interpretations may adversely affect our reported financial results or the way we conduct our business.

#### Item 1B. UNRESOLVED STAFF COMMENTS.

None.

#### Item 2. PROPERTIES.

The Company leases approximately 64,000 square feet of office space at 220 East 42nd Street in New York, NY. The lease was due to expire on May 31, 2013, but as further explained below, was extended to September 15, 2013. In connection with the Restructuring Transaction the Investment Management division vacated the New York premises. As a result, approximately one-fifth of the available space in the New York facility is presently not utilized. In addition to the New York office space, the Company owns a warehouse facility with approximately 85,000 square feet in New Jersey. The facility primarily serves the distribution operations of VLDC for the various Company publications and the fulfillment operations of CPWR for the publications and serves as a disaster recovery site for the Company.

On February 7, 2013, the Company and Citibank, N.A. (the "Sublandlord") entered into a sublease agreement, pursuant to which Value Line will lease approximately 44,493 square feet of office space located on the ninth floor at 485 Lexington Ave., New York, NY ("Building" or "Premises") beginning on or about July 1, 2013 and ending on February 27, 2017 ("Sublease"). Base rent under the Sublease will be \$1,468,269 per annum payable in equal monthly installments on the first day of each month, subject to customary concessions in the Company's favor and pass-through of certain increases in operating costs and real estate taxes. The Company provided a security deposit in cash in the amount of \$489,423, which may be reduced to \$367,067 on March 1, 2015, and to \$244,712 on March 1, 2016 and fully refunded after the Sublease ends. This Building will become the Company's new corporate office facility. The Company is required to pay for certain operating expenses associated with the Premises as well as utilities supplied to the Premises. The Sublease terms will provide for a significant decrease in the Company's annual rental expenses.

Value Line reached an agreement with its current landlord and extended the term of the current lease for its current corporate office facility, which was due to expire on May 31, 2013, for a period of three and a half months beginning June 1, 2013 and expiring September 15, 2013 ("Lease Modification") at a rental which approximates the Company's monthly rent payments under the current lease obligation. Management determined the overlap payment of up to two and a half months was a necessary precaution to allow transfer of telecommunications and other technology and equipment to the new headquarters.

The Company believes the capacity of these facilities is sufficient to meet the Company's current requirements.

#### Item 3. LEGAL PROCEEDINGS.

None.

Item 4. Mine Safety Disclosures

Not applicable.

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## Part II

## Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

The Registrant's Common Stock is traded on NASDAQ under the symbol "VALU". The approximate number of record holders of the Registrant's Common Stock at April 30, 2013 was 47. As of June 28, 2013, the closing stock price was \$8.50.

The reported high and low prices and the dividends paid on these shares during the past two fiscal years were as follows:

| Quarter Ended    | High    | Low     | Dividend Declared<br>Per Share |
|------------------|---------|---------|--------------------------------|
| April 30, 2013   | \$9.40  | \$9.13  | \$0.15                         |
| January 31, 2013 | \$9.68  | \$9.43  | \$0.15                         |
| October 31, 2012 | \$9.95  | \$9.88  | \$0.15                         |
| July 31, 2012    | \$11.91 | \$11.86 | \$0.15                         |
| April 30, 2012   | \$12.17 | \$12.06 | \$0.15                         |
| January 31, 2012 | \$11.57 | \$11.20 | \$0.15                         |
| October 31, 2011 | \$13.40 | \$12.52 | \$0.20                         |
| July 31, 2011    | \$11.57 | \$10.17 | \$0.20                         |

On July 18, 2013, the Board of Directors of Value Line declared a quarterly dividend of \$0.15 per share to shareholders of record as of July 30, 2013 to be paid on August 9, 2013.

There are no securities of the Company authorized for issuance under equity compensation plans. The Company did not sell any unregistered shares of common stock during the fiscal year ended April 30, 2013.

## Purchases of Equity Securities by the Company

The following table provides information with respect to all repurchases of common stock made by or on behalf of the Company during the fiscal quarter ended April 30, 2013. All purchases listed below were made in the open market at prevailing market prices.



## ISSUER PURCHASES OF EQUITY SECURITIES

| Period                                     | (a) Total<br>Number of<br>Shares (or<br>Units)<br>Purchased | (b) Average<br>Price Paid per<br>Share (or Unit) | (c) Total<br>Number of<br>Shares (or<br>Units)<br>Purchased as<br>Part of Publicly<br>Announced<br>Plans or<br>Programs | (d) Maximum<br>Number (or<br>Approximate<br>Dollar Value) of<br>Shares (or Units)<br>that May Yet Be<br>Purchased Under<br>the Plans or<br>Programs |
|--|---|--|---|---|
| February 1, 2013 through February 28, 2013 | -   | -  | -   | \$2,852,164   |
| March 1, 2013 through March 31, 2013       | -   | -  | -   | \$2,852,164   |
| April 1, 2013 through April 30, 2013       | 3,623   | \$9.50   | 3,623   | \$2,817,747   |
| Total                                      | 3,623   | \$9.50   | 3,623   | \$2,817,747   |

1) On September 19, 2012, the Company's Board of Directors approved a new share repurchase program, authorizing the repurchase of shares of the Company's common stock up to an aggregate purchase price of \$3,000,000. The repurchases will be made from time to time on the open market at prevailing market prices, in negotiated transactions off the market, in block purchases or otherwise. The new repurchase program may be suspended or discontinued at any time at the Company's discretion and has no set expiration date. During fiscal 2013, the Company repurchased an aggregate of 19,953 shares of the Company's common stock for \$182,254 at an average price of \$9.13 per share under the repurchase program.

2) On January 20, 2011, the Company's Board of Directors approved the repurchase of shares of the Company's common stock, at such times and prices as management determined to be advisable up to an aggregate purchase amount of \$3,200,000. The repurchase program expired on January 15, 2012 and was not renewed by the Company's Board of Directors. During fiscal 2012, the Company repurchased an aggregate of 78,500 shares of the Company's common stock for \$946,000, at an average price of \$12.05 per share under the repurchase program. During fiscal 2011, the Company repurchased an aggregate of 6,719 shares of the Company's common stock for \$90,000, at an average price of \$13.39 per share.

Arnold Bernhard and Co. may purchase additional shares of common stock of the Company from time to time.

## Item 6. SELECTED FINANCIAL DATA.

Fiscal Years Ended April 30,

| (\$ in thousands, except number of shares and earnings/ (loss) per share amounts) | 2013      | 2012      | 2011      | 2010      | 2009       |
|---|-----------|-----------|-----------|-----------|------------|
| Revenues:   |           |           | (1        | ) (2      | )          |
| Investment periodicals and related publications                                   | \$31,940  | \$33,018  | \$34,406  | \$35,965  | \$39,935   |
| Copyright data fees   | 3,900     | 3,591     | 3,568     | 3,243     | 4,333      |
| Total investment periodicals and related publications                             | 35,840    | 36,609    | 37,974    | 39,208    | 44,268     |
| Investment management fees and services   | -         | -         | 10,693    | 18,932    | 24,973     |
| Total revenues  | \$35,840  | \$36,609  | \$48,667  | \$58,140  | \$69,241   |
| Income/(loss) from operations   | \$4,120   | \$5,338   | \$8,533   | \$(32,190 | ) \$24,223 |
| Gain from deconsolidation of subsidiaries   | -         | -         | \$50,510  | -         | -          |
| Revenues and profits interests from EAM Trust                                     | \$6,260   | \$5,890   | \$2,355   | -         | -          |
| Income from securities transactions, net  | \$126     | \$70      | \$65      | \$837     | \$11,625   |
| Net income/(loss)   | \$6,619   | \$6,925   | \$37,782  | \$(23,188 | ) \$22,953 |
| Earnings/(loss) per share, basic and fully diluted                                | \$0.67    | \$0.70    | \$3.79    | \$(2.32   | ) \$2.30   |
| Total assets  | \$84,341  | \$84,369  | \$87,803  | \$59,985  | \$117,555  |
| Long term liabilities   | \$23,962  | \$24,871  | \$23,133  | \$4,863   | \$5,255    |
| Weighted average number of common shares outstanding                              | 9,888,774 | 9,921,925 | 9,980,000 | 9,981,600 | 9,981,600  |
| Cumulative cash dividends declared per share during the fiscal year               | \$0.60    | \$0.70    | \$2.60    | \$3.60    | \$1.50     |

(1) See Item 1, Business - "Restructuring of Asset Management and Mutual Fund Distribution Businesses" and Item 7, "Management's Discussion and Analysis".

(2) Fiscal 2010 operating income included expenses of \$48,106,000 related to settlement provision (see Form 10-K for fiscal year 2010 filed July 16, 2010.)

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help a reader understand Value Line, its operations and business factors. The MD&A should be read in conjunction with Item 1, "Business", Item 1A, "Risk Factors", and in conjunction with the consolidated financial statements and the accompanying notes contained in Item 8 of this report.

The MD&A includes the following subsections:

- Executive Summary of the Business
- Results of Operations
- Liquidity and Capital Resources
- Recent Accounting Pronouncements
- Critical Accounting Estimates and Policies

Executive Summary of the Business

The Company's primary business is producing investment periodicals and related publications and making available copyright data, including certain Proprietary Ranking System and other proprietary information, to third parties under written agreements for use in third-party managed and marketed investment products. Value Line markets under well-known brands including Value Line®, the Value Line logo®, The Value Line Investment Survey®, and The Most Trusted Name in Investment Research™. The name "Value Line" is used to describe the Company, its products, and its subsidiaries, and is a registered trademark of the Company. Prior to December 23, 2010, the date of the completion of the Restructuring Transaction (see "Restructuring of Asset Management and Mutual Fund Distribution Businesses" below), the Company provided investment management services to the Value Line® Mutual Funds ("Value Line Funds"), institutional and individual accounts and provided distribution, marketing, and administrative services to the Value Line Funds. Subsequent to the Restructuring Transaction, EAM provides the investment management services to the Value Line Funds. Value Line retains substantial non-voting revenues and non-voting profits interest in EAM.

The Company's target audiences within the investment periodicals and related publications field are individual investors, colleges, libraries, and investment management professionals. Individuals come to Value Line for complete research in one package. Institutional subscribers consist of corporations, financial professionals, colleges, and municipal libraries. Libraries and universities, offer the Company's detailed research to their patrons and students. Investment management professionals use the research and historical information in their day-to-day businesses. The Company has a dedicated department that solicits institutional subscriptions. Fees for institutional subscriptions vary by the university or college enrollment, number of users, and the number of products purchased.

Payments received for new and renewal subscriptions and the value of receivables for amounts billed to retail and institutional customers are recorded as unearned revenue until the order is fulfilled. As the subscriptions are fulfilled, the Company recognizes revenue in equal installments over the life of the particular subscription. Accordingly, the subscription fees to be earned by fulfilling subscriptions after the date of a particular balance sheet are shown on that balance sheet as unearned revenue within current and long term liabilities.

Prior to December 23, 2010, the Company's businesses consolidated into two reportable business segments. The investment periodicals and related publications (retail and institutional) and fees from copyright data including the Proprietary Ranking System information and other proprietary information consolidate into one segment called

Publishing and the investment management services to the Value Line Funds and other managed accounts were consolidated into a second business segment called Investment Management. Subsequent to December 23, 2010, the date of the Restructuring Transaction, the Publishing segment constitutes the Company's only reportable business segment.

## Restructuring of Asset Management and Mutual Fund Distribution Businesses

The Company completed the restructuring of its asset management and mutual fund distribution businesses (the “Restructuring Transaction”) on December 23, 2010 (the “Restructuring Date”) and executed the EAM Declaration of Trust (the “EAM Declaration of Trust”). As part of the Restructuring Transaction: (1) EULAV Securities, Inc. (“ESI”), a New York corporation and wholly-owned subsidiary of the Company that acted as the distributor of the Value Line Funds was restructured into EULAV Securities LLC (“ES”), a Delaware limited liability company; (2) the Company transferred 100% of its interest in ES to EULAV Asset Management LLC (“EAM LLC”), a wholly-owned subsidiary of the Company that acted as the investment adviser to the Value Line Funds and certain separate accounts; (3) EAM LLC was converted into EAM; and (4) EAM admitted five individuals (the “Voting Profits Interest Holders”), as the initial holders of voting profits interests in EAM, with each of such individuals owning 20% of the voting profits interests of EAM, and (5) pursuant to the EAM Declaration of Trust, the Company received an interest in certain revenues of EAM and a portion of the residual profits of EAM but has no voting authority with respect to the election or removal of the trustees of EAM. The Voting Profits Interest Holders, who were selected by the independent directors of the Company, paid no consideration in exchange for their interests in EAM.

The business of EAM is managed by its trustees and by its officers subject to the direction of the trustees. The Company’s non-voting revenues and non-voting profits interests in EAM entitle it to receive a range of 41% to 55% of EAM’s revenues (excluding distribution revenues) from EAM’s mutual fund and separate account business and 50% of the residual profits of EAM (subject to temporary increase in certain limited circumstances). The Voting Profits Interest Holders will receive the other 50% of residual profits of EAM.

Pursuant to the EAM Declaration of Trust, the Company granted EAM the right to use the Value Line name for all existing Value Line Funds and agreed to supply the Value Line Proprietary Ranking System information to EAM without charge or expense.

## Business Environment

During the twelve months ended April 30, 2013, the NASDAQ and the Dow Jones Industrial Average were up 9% and 12%, respectively. The risk-averse temperament of investors continues to restrain both the Company’s revenues from its research periodicals and publications and the Company’s cash flows from its non-voting revenues and non-voting profits interests in EAM.

The U.S. economy has been weaving an irregular recovery path over the past year, accelerating for a time, then just as quickly losing momentum. During the third quarter of calendar 2012, the nation’s gross domestic product jumped forward by 3.1%. A drawdown in inventories and a marked retreat in defense-related spending then combined to hold growth to a scant 0.4% for the calendar year. As we moved into 2013, expectations were that the economy would rebound smartly early in the year, which it did, as GDP climbed by 2.5%.

Now, some sluggishness in several industrial and consumer categories, coupled with the ill effects of the government’s mandated spending reductions, or sequestrations, seem likely to pare the current quarter’s growth to just 1%-2%. Encouragingly, we think these dislocations will largely, though not completely, run their course over the next few months, so that during the second half of calendar 2013, growth could well nudge back above 2%.

Unfortunately, notwithstanding the noteworthy recovery in the housing market, indications that employment will continue to track higher, and the seeming commitment of the Federal Reserve to furthering the business expansion via exceptionally accommodative monetary policies, there is every likelihood that this three steps forward, two steps back

growth progression will remain in place for the balance of this year.

On the whole, however, we sense that growth will accelerate modestly and perhaps more consistently in 2014, and that this upturn, underpinned by benign inflation and historically low interest rates, will remain in force for several years thereafter. All told, this should be a solid investment backdrop in which to gradually accumulate equities.

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## Results of Operations for Fiscal Years 2013, 2012 and 2011

The following table illustrates the Company's key components of revenues and expenses.

| (\$ in thousands, except earnings per share)  | Fiscal Years Ended April 30, |           |           |
|---|------------------------------|-----------|-----------|
|   | 2013                         | 2012      | 2011      |
| Income from operations  | \$ 4,120                     | \$ 5,338  | \$ 8,533  |
| Revenues and profits interests from EAM Trust   | \$ 6,260                     | \$ 5,890  | \$ 2,355  |
| Income from operations plus non-voting revenues and non-voting profits interests from EAM Trust | \$ 10,380                    | \$ 11,228 | \$ 10,888 |
| Operating expenses  | \$ 31,720                    | \$ 31,271 | \$ 40,134 |
| Gain from deconsolidation of subsidiaries   | -                            | -         | \$ 50,510 |
| Income from securities transactions, net  | \$ 126                       | \$ 70     | \$ 65     |
| Income before income taxes  | \$ 10,506                    | \$ 11,298 | \$ 61,463 |
| Net income  | \$ 6,619                     | \$ 6,925  | \$ 37,782 |
| Earnings per share  | \$ 0.67                      | \$ 0.70   | \$ 3.79   |

During the twelve months ended April 30, 2013, the Company's net income of \$6,619,000, or \$0.67 per share was \$306,000 or 4.4% below net income of \$6,925,000, or \$0.70 per share, for the twelve months ended April 30, 2012. Income from operations was \$4,120,000 for the twelve months ended April 30, 2013 and compares to income from operations of \$5,338,000 for the twelve months ended April 30, 2012. Income before income taxes, which is inclusive of the non-voting revenues and non-voting profits interests from EAM, was \$10,506,000 for the twelve months ended April 30, 2013, as compared to \$11,298,000 for the twelve months ended April 30, 2012.

During the twelve months ended April 30, 2012, the Company's net income of \$6,925,000, or \$0.70 per share, was \$30,857,000 or 82% below net income of \$37,782,000, or \$3.79 per share, for the twelve months ended April 30, 2011. The net income of the Company during the twelve months ended April 30, 2011 included \$50,510,000 of pre-tax accounting (non-cash) gain and applicable deferred income taxes of \$19,462,000 on the non-cash gain from deconsolidation of Value Line's former investment management subsidiaries, EAM LLC and ESI.

Income from operations of \$5,338,000 for the twelve months ended April 30, 2012, did not include the non-voting revenues and non-voting profits interests from EAM of \$5,890,000, while income from operations for the twelve months ended April 30, 2011 of \$8,533,000 included \$10,693,000 of advisory management fees and service distribution fees from the former Value Line subsidiaries, EAM LLC and ESI, that performed the operations of the investment management business prior to deconsolidation of these subsidiaries on December 23, 2010. During the twelve months ended April 30, 2011, the net income and income from operations included restructuring expenses of \$3,764,000, non-cash post-employment compensation expense of \$1,770,000 related to the grant of a voting profits interest in EAM to a former employee, \$914,000 of expenses for operating lease exit costs related to the relocation of the EAM operations and a \$1,767,000 reduction in the estimated cost of administration of a fund created as part of the Settlement with the SEC during fiscal 2010 ("Fair Fund"). Income before income taxes, which is inclusive of the non-voting revenues and non-voting profits interests from EAM through April 30, 2012, was \$11,298,000 as compared to \$61,463,000 for the twelve months ended April 30, 2011, which included the aforementioned gain on Restructuring Transaction of \$50,510,000.

## Total operating revenues

|   | Fiscal Years Ended April 30, |        |           |        |           |        | Change |          |
|---|------------------------------|--------|-----------|--------|-----------|--------|--------|----------|
|   | 2013                         |        | 2012      |        | 2011      |        | 13 vs. | 12 vs.   |
| (\$ in thousands)                                     | \$                           | %      | \$        | %      | \$        | %      | 12     | 11       |
| Investment periodicals and related publications:      |                              |        |           |        |           |        |        |          |
| Print   | \$ 19,027                    |        | \$ 20,366 |        | \$ 21,625 |        | -6.6 % | -5.8 %   |
| Digital   | 12,913                       |        | 12,652    |        | 12,781    |        | 2.1 %  | -1.0 %   |
| Total investment periodicals and related publications | 31,940                       | 89.1 % | 33,018    | 90.2 % | 34,406    | 70.7 % | -3.3 % | -4.0 %   |
| Copyright data fees                                   | 3,900                        | 10.9 % | 3,591     | 9.8 %  | 3,568     | 7.3 %  | 8.6 %  | 0.6 %    |
| Total publishing revenues                             | 35,840                       |        | 36,609    |        | 37,974    |        | -2.1 % | -3.6 %   |
| Investment management                                 | -                            | -      | -         | -      | 10,693    | 22.0 % | n/a    | -100.0 % |
| Total revenues  | \$ 35,840                    |        | \$ 36,609 |        | \$ 48,667 |        | -2.1 % | -24.8 %  |

Total publishing revenues from investment periodicals and related publications including copyright data fees were \$35,840,000 during the twelve months ended April 30, 2013, which is 2.1% below the total publishing revenues of \$36,609,000 from fiscal 2012.

Total publishing revenues from investment periodicals and related publications including copyright data fees were \$36,609,000 during the twelve months ended April 30, 2012, which was 3.6% below the total publishing revenues from fiscal 2011. As a result of the completion of the Restructuring Transaction on December 23, 2010, investment management activity for the twelve months ended April 30, 2013, April 30, 2012, and for the period from December 23, 2010 through April 30, 2011 during fiscal 2011, is reported as non-voting revenues and non-voting profits interests in EAM and is not included in operating revenues.

Within investment periodicals and related publications, subscription sales orders are derived from print and digital products. The following chart illustrates the changes in the sales orders associated with print and digital subscriptions.

## Sources of Subscription Sales Orders

|                                     | Fiscal Years Ended April 30, |   |         |   |       |   |         |   |       |   |         |   |
|-------------------------------------|------------------------------|---|---------|---|-------|---|---------|---|-------|---|---------|---|
|                                     | 2013                         |   |         |   | 2012  |   |         |   | 2011  |   |         |   |
|                                     | Print                        | % | Digital | % | Print | % | Digital | % | Print | % | Digital | % |
| New Sales Orders                    | 19.0                         | % | 24.2    | % | 16.8  | % | 18.6    | % | 13.0  | % | 21.0    | % |
| Conversion and Renewal Sales Orders | 81.0                         | % | 75.8    | % | 83.2  | % | 81.4    | % | 87.0  | % | 79.0    | % |
| Total Sales Orders                  | 100.0                        | % | 100.0   | % | 100.0 | % | 100.0   | % | 100.0 | % | 100.0   | % |



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| (\$ in thousands)   | 2013     | As of April 30,<br>2012 | Change |   |
|---|----------|-------------------------|--------|---|
| Unearned subscription revenue (current and long term liabilities) | \$24,709 | \$25,995                | -4.9   | % |

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### Investment periodicals and related publications revenues

Investment periodicals and related publications revenues decreased 3.3% for the twelve months ended April 30, 2013, as compared to the prior fiscal year. The Company continued its efforts to attract new subscribers through various marketing channels, primarily direct mail and the internet for retail users, and by the efforts of our sales personnel in the institutional market. Total product line circulation at April 30, 2013 was 0.6% above total product line circulation at April 30, 2012, reversing a long term trend. Continuing factors that have contributed to the decline in the investment periodicals and related publications revenues include competition in the form of free or low cost investment research on the Internet and research provided by brokerage firms at no direct cost to their clients. The Company has been successful in growing revenues from digitally-delivered investment periodicals within Institutional Sales. Institutional Sales orders of \$12,001,000 for the twelve months ended April 30, 2013, were \$1,415,000 or 13.4% above comparable sales orders of \$10,586,000, for the twelve months ended April 30, 2012. This growth continues a positive trend for Institutional Sales, but is not sufficient to wholly offset the lost revenues from retail subscribers. We have also benefited from “converting” some customers from retail to professional price services.

Print publication revenues decreased \$1,339,000, or 6.6%, for the twelve months ended April 30, 2013 from fiscal 2012 for the reasons described earlier. Earned revenues from institutional print publications increased \$550,000 or 49.2%, for the twelve months ended April 30, 2013 as compared to the prior fiscal year. Print publications revenues from retail subscribers decreased \$1,889,000 or 9.8%, for the twelve months ended April 30, 2013, as compared to the prior fiscal year. Print products circulation declined 6.3% as of April 30, 2013 as compared to print circulation at April 30, 2012.

Digital publications revenues increased \$261,000, or 2.1%, for the twelve months ended April 30, 2013 as compared to the prior fiscal year. Earned revenues from institutional digital publications increased \$349,000 or 4.2%, for the twelve months ended April 30, 2013, as compared to the prior fiscal year. Digital publications revenues from retail subscribers decreased \$88,000 or 2.1%, for the twelve months ended April 30, 2013, as compared to the prior fiscal year. Digital products circulation increased 21.7% as of April 30, 2013 as compared to digital circulation at April 30, 2012.

Investment periodicals and related publications revenues were down \$1,388,000, or 4%, for the twelve months ended April 30, 2012, as compared to fiscal 2011. Total product line circulation at April 30, 2012 was 4.6% lower than total product line circulation at April 30, 2011. Gross institutional sales orders of \$10,586,000 for the twelve months ended April 30, 2012, were \$838,000 or 9% above comparable sales orders of \$9,748,000, for the twelve months ended April 30, 2011.

Print publication revenues decreased \$1,259,000, or 6%, for the twelve months ended April 30, 2012 from fiscal 2011. For the twelve months ended April 30, 2012, earned revenues from institutional print publications increased \$182,000 or 19% as compared to fiscal 2011. For the twelve months ended April 30, 2012, print publications revenues from retail subscribers decreased \$1,441,000 or 7%, as compared to fiscal 2011. Print circulation decreased 6.8% as of April 30, 2012 as compared to print circulation at April 30, 2011.

Digital publications revenues decreased \$129,000, or 1%, for the twelve months ended April 30, 2012 from fiscal 2011. For the twelve months ended April 30, 2012, earned revenues from institutional digital publications increased \$59,000 or 1% as compared to fiscal 2011. For the twelve months ended April 30, 2012, digital publications revenues from retail subscribers decreased \$188,000 or 4%, as compared to fiscal 2011.

The Company has relied more on its institutional sales marketing efforts, and the increase in institutional combined print and digital revenues is a direct result of a focused effort to sell to colleges, libraries and corporate/investment adviser accounts. The decrease in digital and print retail publications revenues is primarily attributable to the decrease in circulation within the Company's products.

The majority of the Company's subscribers have traditionally been individual investors who generally receive printed publications via U.S. Mail on a weekly basis. Consistent with the experience of other print publishers in many fields, the Company has found that its roster of customers has been declining as individuals migrate to various digital services. A modest number of customers who do not qualify for retail prices have chosen to cancel their subscriptions, while the rest have converted to institutional services, at higher prices.

Individual investors interested in digitally-delivered investment information have access to free equity research from many sources. For example, most retail broker-dealers with computerized trading services offer their customers free or low cost research services that compete with the Company's services. Revenues from the Company's current retail online services have also declined because many competing products offer more extensive interactive features.

Notably in the fourth quarter of fiscal 2013, the Company has increased its efforts on renewing non-institutional subscriptions by increasing the number of renewal notifications including increases in e-mail and telemarketing efforts.

The Company believes that the volatility of the equity market and the sluggish economic recovery have to some extent eroded retail investor interest in equities. The Company also believes that the negative trend in overall subscription revenue could continue until new products have been developed and marketed and the Company has implemented and adapted customer-contact methods better suited to their changing needs.

The Company has established the goal of developing competitive digital products and marketing them effectively through traditional as well as internet and mobile channels. Towards that end, the Company has been modernizing legacy information technology systems. The Company is not able to predict when these efforts will result in the launch of new products or whether they will be successful in reversing the trend of declining retail publishing revenues.

During the latter part of fiscal 2012, there were a number of technology advances effected in advance of the planned launch of our new product offerings expected to begin in fiscal 2014. In December 2011, the new fulfillment system was placed in service that gives the Company the ability to perform real time order processing and grant immediate access to our digital products, as well as offering multi-tiered entitlements which will come into play in fiscal 2014 with the Company's new product offerings. In December 2011, a new e-commerce platform and a Single Sign On module were launched which directly leverage the new fulfillment system's capabilities for new web order entry and customers' access to their products via a single username and password. Both of these services are a substantial progression from the previous solutions.

In addition, the Company launched a new institutional sales website ValueLinePro.com during March 2012. ValueLinePro.com provides a dedicated Internet destination for investment advisers, portfolio managers, corporate professionals and library patrons who seek to learn how Value Line's proprietary research tools can help them research stocks, mutual funds, options, convertible securities and exchange traded funds ("ETFs"). The site thoroughly describes each of the Company's customized products available to institutions and investment professionals. Targeted digital advertising programs have been a part of the Company's marketing efforts to institutions, generating additional sales leads for our team of experienced sales executives and support personnel.

#### Copyright data fees

The Value Line Proprietary Ranking System information (the "Ranking System"), a component of the Company's flagship product, The Value Line Investment Survey, is also utilized in the Company's copyright data business. The

Ranking System is also required to be made available to EAM for specific uses without charge or expense. The Ranking System is designed to be predictive over a six to twelve month period. For the six and twelve months ended April 30, 2013, the combined Ranking System Timeliness™ “Rank 1 & 2” stocks increased by 16.8% and 16.0%, respectively, allowing for weekly changes in Ranks, outperforming an increase of 13.1% and 14.3% in the S&P 500 Index during the comparable periods, respectively.

During the twelve months ended April 30, 2013, copyright data fees increased \$309,000, or 8.6%, as compared to the prior fiscal year. As of April 30, 2013, total third party sponsored assets were attributable to four contracts for copyright data representing \$2.65 billion in various products, as compared to four contracts and \$3.43 billion in assets at April 30, 2012. The decrease in assets managed by third party sponsors resulted from a shift in assets in one of the underlying portfolios to a new subadvisor which was beyond Value Line's control. The Company believes the growth of this part of the business is dependent upon the desire of third parties to use the Value Line trademarks and proprietary research for their products. This market has become significantly more competitive as a result of product diversification and increased use of indices by portfolio managers. Management is focusing on potential channels for the copyright data products, while maintaining good cooperation with current third party sponsors. However, the Company cannot predict if these efforts will be successful in reversing the trend of declining future revenues and assets managed by third party sponsors.

During the twelve months ended April 30, 2012, copyright data fees of \$3,591,000 were 1% above copyright data fees for fiscal 2011. As of April 30, 2012, total third party sponsored assets were attributable to four contracts for copyright data representing \$3.4 billion in various products, as compared to four contracts and \$3.5 billion in assets at April 30, 2011, representing a 3% decrease in assets.

#### Investment management fees and services – (unconsolidated)

As of the Restructuring Date, the Company deconsolidated its asset management and mutual fund distribution businesses and its interest in these businesses was restructured as a non-voting revenues and non-voting profits interests in EAM. Accordingly, the Company no longer reports this operation as a separate business segment, although it still maintains a significant interest in the cash flows generated by this business and will receive ongoing payments in respect of its non-voting revenues and non-voting profits interests. Total assets in the Value Line Funds managed and/or distributed by EAM at April 30, 2013, were \$2.19 billion, which is \$73 million or 3.5% above total assets of \$2.11 billion in the Value Line Funds managed by EAM at April 30, 2012. Total assets in the Value Line Funds managed by EAM at April 30, 2012, of \$2.11 billion were 5.9% below total assets of \$2.24 billion in the Value Line Funds managed by EAM at April 30, 2011. Although sales and inflows for the Value Line Equity Funds are up 20% during fiscal 2013 and 183% during fiscal 2012, the Value Line Funds continue to experience net redemptions for the last three fiscal years albeit at a much slower rate.

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 changes. Inflows for sales, and outflows for redemptions reflect decisions of individual investors. The table also illustrates the assets within the Value Line Funds broken down into equity funds, variable annuity funds and fixed income funds as of April 30, 2013, 2012 and 2011.

## Value Line Mutual Funds

## Total Net Assets

## Asset Flows

Fiscal Years Ended April 30,

|  | 2013             | 2012             | 2011             |
|--|------------------|------------------|------------------|
| Value Line equity fund assets (excludes variable annuity)— beginning | \$ 1,343,996,918 | \$ 1,398,372,388 | \$ 1,446,104,954 |
| Sales/inflows  | 252,728,239      | 210,761,258      | 74,397,936       |
| Redemptions/outflows   | (256,633,016 )   | (277,655,817 )   | (370,072,264 )   |
| Dividend and Capital Gain Distributions                              | (48,112,709 )    | (19,681,858 )    | (2,683,333 )     |
| Market value change  | 164,573,032      | 32,200,947       | 250,625,095      |
| Value Line equity fund assets (non-variable annuity)— ending         | 1,456,552,464    | 1,343,996,918    | 1,398,372,388    |
| Variable annuity fund assets — beginning                             | \$ 484,476,017   | \$ 520,738,282   | \$ 495,004,319   |
| Sales/inflows  | 14,173,864       | 11,869,956       | 15,170,774       |
| Redemptions/outflows   | (66,726,410 )    | (72,557,743 )    | (78,046,318 )    |
| Dividend and Capital Gain Distributions                              | (4,119,704 )     | 503,582          | (3,815,539 )     |
| Market value change  | 48,513,595       | 23,921,941       | 92,425,046       |
| Variable annuity fund assets — ending                                | 476,317,361      | 484,476,017      | 520,738,282      |
| Fixed income fund assets — beginning (1) (2)                         | \$ 217,053,704   | \$ 236,526,222   | \$ 249,868,326   |
| Sales/inflows  | 11,765,917       | 41,239,732       | 27,627,007       |
| Redemptions/outflows   | (37,643,781 )    | (64,139,184 )    | (44,038,991 )    |
| Dividend and Capital Gain Distributions                              | (4,524,535 )     | (1,752,051 )     | (1,358,551 )     |
| Market value change  | 4,837,224        | 5,178,985        | 4,428,430        |
| Fixed income fund assets — ending                                    | 191,488,529      | 217,053,704      | 236,526,222      |
| Money market fund assets — ending (3)                                | -                | 67,682,443       | 89,356,239       |
| Assets under management — ending                                     | \$ 2,124,358,355 | \$ 2,113,209,083 | \$ 2,244,993,131 |

(1) On March 21, 2013, the shareholders of the Value Line U.S. Government Securities Fund approved the tax free reorganization of the Value Line U.S. Government Securities Fund into the Value Line Core Bond Fund. Shares of the U.S Government Securities Fund were exchanged into the Value Line Core Bond Fund effective March 22, 2013. This transaction is excluded from sales/redemptions.

(2) On May 17, 2012, the shareholders of the Value Line New York Tax Exempt Trust approved the tax free reorganization of the Value Line New York Tax Exempt Trust into the Value Line Tax Exempt Fund. Shares of the Value Line New York Tax Exempt Trust were exchanged into the Value Line Tax Exempt Fund effective May 18, 2012. This transaction is excluded from sales/redemptions.

(3) On October 19, 2012 the Value Line U.S. Government Money Market Fund merged into the Daily Income Fund U.S. Government Portfolio managed by Reich & Tang. Assets of \$61,917,208 of the Value Line U.S. Government Money Market Fund are not included in the total assets under management in fiscal 2013.

While equity assets under management increased 5.7%, four of the six Value Line equity mutual funds, excluding SAM and Centurion are currently experiencing net redemptions and the associated net asset outflows (redemptions less new sales). However, while the Value Line Funds are experiencing net redemptions, there are less net redemptions in the twelve months ended April 30, 2013 than in the prior year due to higher gross sales in the equity/hybrid funds and better retention of existing fund assets. The Value Line Asset Allocation Fund is experiencing net inflows and was added to the Schwab Mutual Fund OneSource Select List® in August 2012. The fund is one of only seven asset allocation funds among the 23 third-party funds selected for the Additional Fund Categories section. During fiscal 2013 Value Line equity mutual funds continued to garner attention from the industry. Publications such as U.S. News and World Report included some of Value Line equity mutual funds in the Best Mutual Funds lists as well as being mentioned in Investor's Business Daily, Street.com, Kiplinger's and other publications.

As of April 30, 2013 three of the eight equity funds are in the top quartile of their respective peer groups for one year and six of the eight are in the top quartile for the three year period according to Lipper.

Shares of Value Line Strategic Asset Management Trust ("SAM") and Value Line Centurion Fund ("Centurion") 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").

The next table provides a breakdown of the major distribution channels for the Value Line Funds in terms of assets and shareholder accounts as of April 30, 2013.

| Fund Categories                          | Aggregate Assets | Percentage<br>of Assets<br>in<br>Category | Shareholder<br>Accounts | Percentage<br>of<br>Shareholder<br>Accounts in<br>Category |   |
|--|------------------|---|-------------------------|--|---|
|  |                  |   |                         |  |   |
| Guardian (SAM and Centurion Funds)       | \$ 476,317,362   | 21.8                                      | % 24,138                | 25.6   | % |
| VL Funds direct accounts & other dealers | 809,024,029      | 37.0                                      | % 34,714                | 36.9   | % |
| Dealer platforms                         | 900,934,172      | 41.2                                      | % 35,305                | 37.5   | % |
| Total*                                   | \$ 2,186,275,563 | 100.0                                     | % 94,157                | 100.00   | % |

\* Total aggregate assets and shareholder accounts include \$61,917,208 of total assets and 2,633 shareholder accounts, respectively, of the Value Line U.S. Government Money Market Fund which merged into the Daily Income Fund U.S. Government Portfolio managed by Reich & Tang on October 19, 2012.

During fiscal 2011 from May 1, 2010 through December 23, 2010, consolidated investment management fees and distribution service fees (which we refer to as "12b-1 fees") from the Value Line Funds amounted to \$10,584,000 after giving effect to account fee waivers for certain of the Value Line Funds. These amounts included 12b-1 fees of \$2,308,000 earned for the period from May 1, 2010 through December 23, 2010. For the period from May 1, 2010 through December 23, 2010, total investment management fee waivers and reimbursements were \$513,000 and total 12b-1 fee waivers were \$1,651,000. The Company, EAM LLC and ESI have no right to recoup the previously waived amounts of investment management fees and 12b-1 fees. During the period from May 1, 2010 through December 1, 2010, separately managed accounts revenues were \$109,000. Separately managed accounts had \$23 million in assets as of December 1, 2010, including \$20 million of assets in accounts managed for affiliates of the Company's controlling shareholder AB&Co. During the third quarter of fiscal 2011, the entities affiliated with AB&Co. cancelled



their separately managed account agreements with EAM LLC.

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EAM Trust - Results of operations before distribution to interest holders

The overall results of EAM's investment management operations during the twelve months ended April 30, 2013, before interest holder distributions, include total investment management fees earned from the Value Line Funds of \$12,773,000, 12b-1 fees and other fees of \$3,905,000 and other income of \$14,000. For the same period, total investment management fee waivers and reimbursements were \$379,000 and 12b-1 fee waivers for nine Value Line Funds were \$2,156,000. During the twelve months ended April 30, 2013, EAM's net income was \$945,000 after giving effect to Value Line's non-voting revenues interest of \$5,781,000, but before distributions to voting profits interest holders and to the Company in respect of its 50% non-voting profits interest.

Total results of EAM's investment management operations during the twelve months ended April 30, 2012, before interest holder distributions, include total investment management fees earned from the Value Line Funds of \$12,465,000, 12b-1 fees of \$3,466,000 and other income of \$12,000. For the same period, total investment management fee waivers and reimbursements were \$806,000 and 12b-1 fee waivers were \$2,257,000. During the twelve months ended April 30, 2012, EAM's net income was \$461,000 after giving effect to Value Line's non-voting revenues interest of \$5,684,000, but before distributions to voting interest holders and to the Company in respect of its non-voting profits interest.

Total results of EAM's investment management operations for the period from December 23, 2010 through April 30, 2011, before interest holder distributions, include total investment management fees earned from the Value Line Funds of \$4,592,000, 12b-1 fees of \$1,293,000 and other income of \$3,100. For the same period, total investment management fee waivers and reimbursements were \$303,000 and 12b-1 fee waivers were \$855,000. For the period from December 23, 2010 through April 30, 2011, EAM's net income was \$336,000, after giving effect to Value Line's non-voting revenues interest of \$2,187,000, but before distributions to voting interest holders and to the Company in respect of its non-voting profits interest.

As of April 30, 2013, eight of the Value Line Funds have all or a portion of the 12b-1 fees being waived, and one fund has a partial investment management fee waiver in place. Although, under the terms of the EAM Declaration of Trust, the Company no longer receives or shares in the revenues from 12b-1 distribution fees, the Company could benefit from the fee waivers to the extent that the resulting reduction of expense ratios and enhancement of the performance of the Value Line Funds attracts new assets.

As of April 30, 2013, four of the six Value Line equity mutual funds, excluding SAM and Centurion, had an overall four or five star rating by Morningstar, Inc. The largest distribution channel for the Value Line Funds remains the fund supermarket platforms such as Guardian, Charles Schwab & Co., Inc., Fidelity, Pershing and E-Trade.

The Value Line equity fund assets and fixed income fund assets represent 91.0% and 9.0%, respectively, of total fund assets under management ("AUM") as of April 30, 2013. At April 30, 2013, equity AUM increased by 5.7% and fixed income AUM decreased by 12.0% as compared to the prior fiscal year.

During December 2011, the Value Line Convertible Fund merged into the Value Line Income and Growth Fund. The Value Line Convertible Fund had approximately \$20 million in assets under management before the merger. In May 2012, the Value Line New York Tax Exempt Trust (\$15 million) combined into the Value Line Tax Exempt Fund (\$90 million). The combination offers many benefits for fund shareholders.

During October 2012, the USGMMF merged into a third party fund, the Daily Income Fund, managed by Reich & Tang. EAM distributes the Daily Income Fund on behalf of Reich & Tang and maintains the shareholder accounts on

behalf of the Value Line Funds' shareholders who invest in the Daily Income Fund, but EAM is no longer subsidizing the expenses of the USGMMF resulting from the low interest rate economic environment. In addition, the merger of the USGMMF eliminated the cost of administration and fund accounting.

During December 2012, the Value Line Aggressive Income Trust changed its investment strategy and changed its name to the Value Line Core Bond Fund. In doing so, the Value Line Funds now have a core bond fund offering that still meets the fundamental investment objectives of the Aggressive Income Trust, which is maximization of current income with a secondary objective of capital appreciation, yet have broader appeal and a larger pool of investors to attract assets. Such assets may include existing shareholders of other Value Line Funds as shareholders redeem equities.

During December 2012, the Value Line Emerging Opportunities Fund changed its name to Value Line Small Cap Opportunities Fund. By changing the name, the strategy of the fund and correct category is clearly defined for investors.

During March 2013, the Value Line U.S. Government Securities Fund merged into the Value Line Core Bond Fund. This created a core bond fund with \$100 million in assets, a critical threshold for many institutional money managers.

EAM - The Company's non-voting revenues and non-voting profits interests

Following the Restructuring Transaction, the Company no longer engages, through subsidiaries, in the investment management or mutual fund distribution businesses. The Company does hold non-voting revenues and non-voting profits interests in EAM which entitle the Company to receive from EAM an amount ranging from 41% to 55% of EAM's investment management fee revenues from its mutual fund and separate accounts business, and 50% of EAM's net profits. EAM currently has no separately managed account clients.

The Company recorded income from its non-voting revenues interest and its non-voting profits interests in EAM as follows:

| (\$ in thousands)            | Fiscal Years Ended April 30, |         |         | Change    |   |           |   |
|------------------------------|------------------------------|---------|---------|-----------|---|-----------|---|
|                              | 2013                         | 2012    | 2011    | 13 vs. 12 |   | 12 vs. 11 |   |
| Non-voting revenues interest | \$5,781                      | \$5,684 | \$2,187 | 1.7       | % | 159.9     | % |
| Non-voting profits interest  | 479                          | 206     | 168     | 132.5     | % | 22.6      | % |
|                              | \$6,260                      | \$5,890 | \$2,355 | 6.3       | % | 150.1     | % |

During the twelve months ended April 30, 2013, the Company recorded revenues of \$6,260,000, consisting of \$5,781,000, from its non-voting revenues interest in EAM and \$479,000, from its non-voting profits interest in EAM without incurring any directly related expenses.

During the twelve months ended April 30, 2012, the Company recorded revenues of \$5,890,000, consisting of \$5,684,000, from its non-voting revenues interest in EAM and \$206,000, from its non-voting profits interest in EAM. During the period from December 23, 2010 (the Restructuring Date) through April 30, 2011, the Company recorded revenues of \$2,355,000, consisting of \$2,187,000, from its non-voting revenues interest in EAM and \$168,000 from its non-voting profits interest in EAM.

## Expenses

| (\$ in thousands)                 | Fiscal Years Ended April 30, |          |          | Change    |           |         |
|-----------------------------------|------------------------------|----------|----------|-----------|-----------|---------|
|                                   | 2013                         | 2012     | 2011     | 13 vs. 12 | 12 vs. 11 |         |
| Advertising and promotion         | \$4,075                      | \$4,203  | \$6,673  | -3.0      | %         | -37.0 % |
| Salaries and employee benefits    | 15,034                       | 15,001   | 17,242   | 0.2       | %         | -13.0 % |
| Production and distribution       | 5,694                        | 4,894    | 4,718    | 16.3      | %         | 3.7 %   |
| Office and administration         | 6,917                        | 7,173    | 9,504    | -3.6      | %         | -24.5 % |
| Expenses related to restructuring | -                            | -        | 3,764    | n/a       |           | n/a     |
| Provision for settlement          | -                            | -        | (1,767 ) | n/a       |           | n/a     |
| Total expenses                    | \$31,720                     | \$31,271 | \$40,134 | 1.4       | %         | -22.1 % |

Expenses within the Company are categorized into advertising and promotion, salaries and employee benefits, production and distribution, and office and administration. Operating expenses of \$31,720,000 for the twelve months ended April 30, 2013, increased \$449,000, or 1.4%, as compared to the twelve months ended April 30, 2012. The increase in expenses resulted primarily from the additional depreciation and amortization of \$828,000 related to software development costs previously incurred.

Operating expenses of \$31,271,000 for the twelve months ended April 30, 2012, decreased \$8,863,000, or 22%, as compared to the twelve months ended April 30, 2011. This reduction in operating expenses for fiscal 2012 as compared to fiscal 2011 resulted in part from the inclusion of \$3,764,000 of expenses related to the Restructuring Transaction partially offset by a revision of \$1,767,000 of the estimate for the Provision for Settlement in fiscal 2011, and the inclusion of \$8,230,000 of expenses in fiscal 2011 related to the investment management business which was deconsolidated on December 23, 2010.

## Advertising and promotion

Advertising and promotion expenses during the twelve months ended April 30, 2013, were \$128,000 or 3.0% below fiscal 2012. The decrease was mainly due to a decrease of \$136,000 in media and internet advertising and promotional costs to market the digital products and software products to institutions during fiscal 2012. The remaining decrease for the twelve months ended April 30, 2013, was related to a \$60,000 reduction in postage expenses related to renewal solicitation costs which primarily resulted from migrating some renewal efforts to a digital format. These decreases were offset by an \$85,000 increase in telemarketing costs as telephone marketing efforts were increased.

Advertising and promotion expenses during the twelve months ended April 30, 2012, decreased \$2,470,000, or 37%, as compared to the twelve months ended April 30, 2011. Operating expenses for fiscal 2011 included \$2,220,000 of expenses related to the Company's investment management business which was deconsolidated and discontinued on December 23, 2010; these expenses were primarily for promotional payments to independent broker-dealers associated with the distribution of the Value Line Funds. The remaining decrease of \$250,000 for the twelve months ended April 30, 2012, was mainly related to reduced media and internet advertising and promotion expenses of \$520,000 and a \$109,000 reduction in renewal solicitation costs, offset by increased direct marketing and sales commissions costs for publications.

## Salaries and employee benefits

Salaries and employee benefits increased \$33,000 or 0.2%, during the twelve months ended April 30, 2013, as compared to fiscal 2012. Increased expenses in salaries and employee benefits were related to the timing of personnel replacements in information technology, marketing, research, quantitative research and sales personnel in institutional sales and were offset by a decrease in profit sharing expense and the additional capitalization of \$317,000 for digital project development costs for the twelve months ended April 30, 2013, as compared to the prior year. During the twelve months ended April 30, 2013, 2012 and 2011, the Company accrued profit sharing expenses of \$240,000, \$447,000 and \$500,000, respectively.

Salaries and employee benefits decreased by \$2,241,000 or 13% during the twelve months ended April 30, 2012, as compared to fiscal 2011. This decrease reflects a reduction of \$3,635,000 related to the deconsolidation and discontinuance of the investment management business on December 23, 2010 including \$1,049,000 related to direct overhead costs, \$1,770,000 for non-cash post-employment compensation expense, and \$816,000 related to previously shared costs incurred in order to provide the proprietary Ranking System information and overhead salaries to the investment management business. Pursuant to the EAM Declaration of Trust, the Company agreed to supply the proprietary Ranking System information to EAM without charge or expense so that, for periods after December 23, 2010, these previously shared costs remain within the Publishing segment subsequent to the Restructuring Date. Salaries and employee benefits in the Publishing segment increased \$1,394,000 as a result of the aforementioned reallocation to the Publishing segment of \$816,000 for overhead costs previously shared with the Investment Management segment. The increase in salaries and employee benefits related to additional headcount in information technology, fulfillment, marketing and institutional sales was partially offset by the capitalization of \$1,346,000 for digital project development costs.

#### Production and distribution

Production and distribution expenses during the twelve months ended April 30, 2013, increased \$800,000 or 16.3%, as compared to fiscal 2012. During the twelve months ended April 30, 2013, an increase of \$872,000, resulted from additional amortization of internally developed software costs for the upgrade of our fulfillment system, single sign on, website development and new, service oriented production architecture implemented during the third quarter of fiscal 2012 and an increase in systems support of \$144,000 related to the offsite relocation of the Company's production computer systems. These increases in expenses were partially offset by a decrease in paper, printing and distribution expenses and lower costs related to outsourced data collection services.

Production and distribution expenses during the twelve months ended April 30, 2012, increased \$176,000 or 4% above fiscal 2011. During the twelve months ended April 30, 2012, an increase of \$136,000 resulting from additional amortization of internally developed software costs for our new fulfillment system implemented in November 2011, and an increase of \$157,000 related to the third party costs to develop the new fulfillment system, which were not capitalized, were partially offset by reduced data feed expenses of \$122,000.

#### Office and administration

Office and administration expenses during the twelve months ended April 30, 2013, decreased \$256,000 or 3.6%, as compared to fiscal 2012. The decrease was primarily due to a \$457,000 decline in professional and consulting fees and a \$45,000 decrease in utilities costs at the Company's corporate facility. These decreases were partially offset by a \$58,000 increase in building operating expenses. In fiscal 2012, office and administrative expense were reduced due to reimbursement of \$44,000 received from EAM for the month of May 2011 for rent and certain accounting and other administrative support services provided to EAM during its final month of occupancy at the Company's office facility.

Office and administration expenses during the twelve months ended April 30, 2012, decreased \$2,331,000 or 25% below fiscal 2011. This decrease reflects a reduction of \$2,375,000 related to the deconsolidation and discontinuance of the investment management business, including \$1,845,000 related to direct overhead costs and \$530,000 related to previously shared costs incurred in order to provide the proprietary Ranking System information and related administrative services to the investment management business. Pursuant to the EAM Declaration of Trust, the Company agreed to supply the proprietary Ranking System information to EAM without charge or expense so that, for periods after December 23, 2010, these previously shared costs remain within the Publishing segment. Office and

administration expenses in the Publishing segment increased \$44,000 as a result of the aforementioned reallocation to the Publishing segment of \$530,000 of overhead costs previously shared with the Investment Management segment along with an increase of \$200,000 in professional and legal fees and an increase of \$178,000 in office support related costs. These increased expenses were offset by a decrease of \$1,352,000 for office space rental resulting from the classification of \$439,000 of the lease payments made during fiscal 2012 as a reduction of the total lease exit obligation in the amount of \$914,000 expensed in fiscal 2011 related to EAM's relocation.



## Lease Commitments

On February 7, 2013, the Company and Citibank, N.A. (the “Sublandlord”) entered into a sublease agreement, pursuant to which Value Line will lease approximately 44,493 square feet of office space located on the ninth floor at 485 Lexington Ave., New York, NY (“Building” or “Premises”) beginning on or about July 1, 2013 and ending on February 27, 2017 (“Sublease”). Base rent under the Sublease will be \$1,468,269 per annum payable in equal monthly installments on the first day of each month, subject to customary concessions in the Company’s favor and pass-through of certain increases in operating costs and real estate taxes. The Company provided a security deposit in cash in the amount of \$489,423, which may be reduced to \$367,067 on March 1, 2015, and to \$244,712 on March 1, 2016 and fully refunded after the Sublease ends. This Building will become the Company’s new corporate office facility. The Company is required to pay for certain operating expenses associated with the Premises as well as utilities supplied to the Premises. The Sublease terms will provide for a significant decrease in the Company’s annual rental expenses.

Value Line reached an agreement with its current landlord and extended the term of the current lease for its current corporate office facility, which was due to expire on May 31, 2013, for a period of three and a half months beginning June 1, 2013 and expiring September 15, 2013 (“Lease Modification”) at a rental which approximates the Company’s monthly rent payments under the current lease obligation. Management determined the overlap payment of up to two and a half months was a necessary precaution to allow transfer of telecommunications and other technology lines and equipment to the new headquarters, given that Citibank’s move out was not pegged to a predetermined date.

## Expenses related to restructuring

In fiscal 2011, professional fees, including the cost of the proxy solicitation for the Value Line Funds, of \$3,764,000 were associated with the Restructuring Transaction that was completed on December 23, 2010. The Company’s policy was to expense these costs as incurred.

## Provision for Settlement

The Company recorded as a liability on its Consolidated Balance Sheet estimated expenses associated with a Fair Fund administration and other costs which the Company was required to pay in connection with a Settlement with the SEC during fiscal 2010 (see Form 10-K for fiscal 2010 filed with the SEC on July 16, 2010). During fiscal 2011, the administrator of the Fair Fund estimated that the remaining costs of administration would be less than originally determined due to a modification in the manner of administration and distribution of the Fair Fund. Accordingly, the Company reduced its liability for the costs of administration of the Fair Fund by \$1,767,000 during the fourth quarter of fiscal 2011.

## Segment Operating Profit

Prior to December 23, 2010, the Company’s businesses consolidated into two reportable business segments. The investment periodicals and related publications (retail and institutional) and fees from copyright data, including the Proprietary Ranking System information and other proprietary information, consolidated into one segment called Publishing, and the investment management services to the Value Line Funds and other managed accounts were consolidated into a second business segment called Investment Management. Subsequent to December 23, 2010, the date of the Restructuring Transaction, the Publishing segment constitutes the Company’s only reportable business segment. Accordingly, the Investment Management segment information reported below reflects activity only through the date of the Restructuring Transaction.



|  | Investment Periodicals, Publishing & Copyright Data |  |              |              |         | Investment Management        |      |                 |              |          |  |
|--|---|--|--------------|--------------|---------|------------------------------|------|-----------------|--------------|----------|--|
|  | Fiscal Years Ended April 30,                        |  |              |              |         | Fiscal Years Ended April 30, |      |                 |              |          |  |
|  | 2013  | 2012   | 2011         | Change       |         | 2013                         | 2012 | 2011<br>(1)     | Change       |          |  |
| (in thousands)                           |   |  | 13 vs.<br>12 | 12 vs.<br>11 |         |                              |      | 13<br>vs.<br>12 | 12 vs.<br>11 |          |  |
| Segment revenues from external customers | \$35,840  | \$36,609   | \$37,974     | -2.1 %       | -3.6 %  | -                            | -    | \$ 10,693       | n/a          | -100.0 % |  |
| Segment profit from operations           | \$4,120   | \$5,338  | \$8,984      | -22.8 %      | -40.6 % | -                            | -    | \$(448 )        | n/a          | -100.0 % |  |
| Segment profit margin from operations    | 11.5 %  | 14.6 %   | 23.7 %       | -21.2 %      | -38.4 % | -                            | -    | -4.2 %          | n/a          | -100.0 % |  |
|  | (1)   | Period from May 1, 2010 through December 23, 2010. |              |              |         |                              |      |                 |              |          |  |

#### Investment Periodicals, Publishing & Copyright Data

During fiscal 2013, publishing revenues from investment periodicals and related publications including copyright data fees were \$35,840,000, which is \$769,000 or 2.1% below the publishing revenues from fiscal 2012.

During fiscal 2012, publishing revenues from investment periodicals and related publications including copyright data fees were \$36,609,000, which is \$1,365,000 or 3.6% below the publishing revenues from fiscal 2011.

During fiscal 2013, 2012 and fiscal 2011, the decrease in the operating profit margin and segment operating profits in the Publishing segment resulted primarily from the decline in investment publication and periodicals revenues without a proportionate decrease in expenses for production and administration, including semi-variable and non-variable costs. In fiscal 2013, copyright data's revenues increased 8.6% from fiscal 2012 and in fiscal 2012 they were slightly above fiscal 2011. Costs for the Company's copyright data products are relatively fixed costs for the Company, so that expenses do not increase or decrease proportionately to changes in revenue. The 9.1% decline in the operating profit margin in the Publishing segment in fiscal 2012, as compared to fiscal 2011 was due to decreased revenues in addition to the reallocation of costs previously shared with the Investment Management segment to the Publishing segment.

The Company believes that competition in the form of free or low cost investment research on the Internet and research provided by brokerage firms at no cost to their clients contributed to the decline in revenue in the publishing segment. In fiscal 2011, the recession and continued volatility in the markets also contributed to the decline in subscriptions to the Company's products, as individuals reduced many forms of discretionary spending. Also, some investors may have shifted from equity investments to fixed income investments. The Company provides only limited research on fixed income investments, and this is not a core aspect of Value Line's business.

#### Investment Management

Negative operating margins for the investment management business conducted by the Company during the period from May 1, 2010 through December 23, 2010 resulted primarily from the incurrence of expenses related to the

Restructuring Transaction and declines in certain asset based revenues with no offsetting expense reductions. Lower management fees from the Value Line Funds for this period resulted from lower average assets under management (through December 23, 2010) and fee waivers. The Company waived management fees of \$352,000 for the period from May 1, 2010 through December 23, 2010 in the USGMMF and, due to the low interest rate environment and new regulations restricting investments, that Fund generated insufficient portfolio income to cover its normalized expenses, which were subsidized by the Company. Segment operating profit and the operating profit margin for fiscal 2011 through December 23, 2010, the date of consummation of the Restructuring Transaction, includes \$3,764,000 of expenses related to the Restructuring Transaction, \$1,770,000 of post-employment compensation expense related to the grant of the voting profits interest in EAM to a former employee in connection with the Restructuring Transaction and \$914,000 of operating lease exit costs related to the office space formerly occupied by EAM LLC. These expenses in fiscal 2011 were partially offset by a reduction of \$1,767,000 in the estimated cost to administer the Fair Fund.

## Income from Securities Transactions, net

| (\$ in thousands)  | Fiscal Years Ended April 30, |       |       | Change    |           |
|--|------------------------------|-------|-------|-----------|-----------|
|  | 2013                         | 2012  | 2011  | 13 vs. 12 | 12 vs. 11 |
| Dividend income  | \$ 124                       | \$ 68 | \$ 16 | 82.4 %    | 325.0 %   |
| Interest income  | 4                            | 16    | 118   | -75.0 %   | -86.4 %   |
| Realized gains/(losses) on equity and fixed income securities available-for-sale | -                            | (11 ) | (68 ) | 100.0 %   | -83.8 %   |
| Other  | (2 )                         | (3 )  | (1 )  | 33.3 %    | -200.0 %  |
| Total income from securities transactions, net                                   | \$ 126                       | \$ 70 | \$ 65 | 80.0 %    | 7.7 %     |

During the twelve months ended April 30, 2013, the Company's income from securities transactions, net, of \$126,000, which includes primarily dividend income, was \$56,000 or 80.0% above income from securities transactions, net, of \$70,000 during the twelve months ended April 30, 2012. During the twelve months ended April 30, 2012, income from securities transactions, net, included \$68,000 of dividend income and \$16,000 of interest income. During the twelve months ended April 30, 2012, realized gains from sales of equity securities were \$11,000 and realized losses from sales of fixed income securities were \$22,000.

During the twelve months ended April 30, 2012, the Company's income from securities transactions, net, of \$70,000 was \$5,000 or 8% above income from securities transactions, net, of \$65,000 during the twelve months ended April 30, 2011. There were no sales, or gains or losses from sales of equity securities during the fiscal year ended April 30, 2011. Realized losses from the sales of fixed income securities, were \$68,000 during the twelve months ended April 30, 2011.

## Effective income tax rate

The overall effective income tax rates, as a percentage of pre-tax ordinary income for the twelve months ended April 30, 2013, 2012 and 2011 were 37.0%, 38.71% and 38.53%, respectively. The annual effective tax rate will change due to a number of factors including but not limited to an increase or decrease in the ratio of items that do not have tax consequences to pre-tax income, the Company's geographic profit mix between tax jurisdictions, new tax laws, new interpretations of existing tax laws and rulings and settlements with tax authorities. The fluctuation in the effective income tax rate during fiscal 2013 is attributable to a higher percentage of income subject to state and local taxes offset by the recognition of the domestic production tax credits and an increase in the dividends received deduction during the current fiscal year.

The change in the effective income tax rate in fiscal 2012 is attributable to the alternative minimum tax on the limitation to the Company's net operating loss carryforward in fiscal years 2012 and 2011, and a slight decrease in state and local tax rate for fiscal 2012 primarily from EAM's geographical income allocation.

## Liquidity and Capital Resources

The Company had negative working capital, defined as current assets less current liabilities, of \$10,721,000 and \$8,067,000 as of April 30, 2013 and April 30, 2012, respectively. These amounts include short term unearned revenue of \$22,073,000 and \$21,548,000 reflected in total current liabilities at April 30, 2013 and April 30, 2012, respectively. Cash and short term securities were \$13,522,000 and \$15,923,000 as of April 30, 2013 and April 30, 2012, respectively.

The Company's cash and cash equivalents include \$6,312,000 and \$10,848,000 at April 30, 2013 and April 30, 2012, respectively, invested primarily in Money Market Funds at brokers' accounts, which operate under Rule 2a-7 of the of the 1940 Act and invest primarily in short term U.S. government securities.

### Cash from operating activities

The Company had cash inflows from operating activities of \$1,168,000 during the twelve months ended April 30, 2013, compared to cash inflows from operations of \$2,376,000 during the twelve months ended April 30, 2012. The change in cash flows from fiscal 2012 to fiscal 2013 was primarily due to the reduction in the cash inflow from earnings, an increase in prepaid expenses and timing of receipt of accounts receivable, offset by the increase in the cash inflows from the receipt of prepaid and refundable income taxes and reduced payments for settlement and restructuring related expenses.

### Cash from investing activities

The Company's cash outflows from investing activities of \$253,000 during the twelve months ended April 30, 2013, compared to cash inflows from investing activities of \$11,262,000 for the twelve months ended April 30, 2012. Cash inflows for the twelve months ended April 30, 2012, were higher due to the maturities and sales of fixed income securities. The Company did not hold any fixed income securities during fiscal 2013 and there were no proceeds from sales of equity securities during fiscal 2013. The Company expects that investing activities will provide cash from continued receipts from its non-voting revenues and non-voting profits interest distributions in EAM.

### Cash from financing activities

The Company's cash outflows from financing activities of \$6,117,000 during the twelve months ended April 30, 2013, were 27.2% below cash outflows from financing activities of \$8,398,000 for the twelve months ended April 30, 2012. Cash outflows for financing activities included \$182,000 and \$946,000 for the repurchase of shares of the Company's common stock under the September 19, 2012 and the January 20, 2011 board approved common stock repurchase programs, during fiscal 2013 and 2012, respectively. Dividend payments of \$0.20 per share during the first three quarters and \$0.15 per share during the fourth quarter of fiscal 2012 aggregated \$7,452,000 as compared to \$5,935,000 in fiscal 2013, which included dividend payments of \$0.15 per share for all four quarters. The Company expects financing activities to continue to include use of cash for dividend payments for the foreseeable future.

Management believes that the Company's cash and other liquid asset resources used in its business together with the future cash flows from operations and from the Company's non-voting revenues and non-voting profits interests in EAM will be sufficient to finance current and forecasted liquidity needs for the next twelve months. Management does not anticipate making any borrowings during the next twelve months. As of April 30, 2013, retained earnings and liquid assets were approximately \$33 million and \$14 million, respectively.



## Seasonality

Our operations are minimally seasonal in nature. Our publishing revenues are comprised of subscriptions which are generally annual subscriptions and/or multi-year subscriptions. Our cash flows from operating activities are somewhat seasonal in nature, primarily due to the timing of customer payments made for subscription renewals, which generally occur more frequently in our fiscal third quarter.

## Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2011-05, Presentation of Comprehensive Income (“ASU 2011-05”), which represents an update to ASC 220, Comprehensive Income. ASU 2011-05 provides new disclosure guidance for comprehensive income, requiring presentation of each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income and a total amount for comprehensive income. An entity will have the option to present these items in one continuous statement or two separate but consecutive statements. An entity will no longer be permitted to present components of other comprehensive income as part of the statement of changes in stockholders’ equity. ASU 2011-05 is effective for fiscal years and interim periods within those years beginning after December 15, 2011. Portions of ASU 2011-05 were amended in December 2011. The Company adopted the provisions of ASU 2011-5 effective May 1, 2012, and it did not have a material impact on our Consolidated Financial Statements.

In December 2011, the FASB issued ASU No. 2011-11, Disclosures about Offsetting Assets and Liabilities (“ASU 2011-11”), to improve reporting and transparency of offsetting (netting) assets and liabilities and the related affects on the financial statements. ASU 2011-11 is effective for fiscal years and interim periods within those years beginning after January 1, 2013. The Company believes that the implementation of ASU 2011-11 will not have a material effect on its Consolidated Financial Statements.

In December 2011, the FASB issued ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU No. 2011-05 (“ASU 2011-12”). ASU 2011-12 amends certain pending paragraphs from ASU 2011-05. This amendment allows companies to defer the effective date of the change in presentation on the face of the financial statements of reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statements where the components of net income and the components of other comprehensive income are presented. The effective date for all other amendments put forth in ASU No. 2011-05 are unaffected by this update. This update is effective for fiscal years and interim periods within those years beginning after December 15, 2011. The Company adopted this guidance effective May 1, 2012, and it did not have a material impact on our Consolidated Financial Statements.

In July 2012, the FASB issued ASU No. 2012-02, Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment (“ASU 2012-02”), to simplify how entities test indefinite-lived intangible assets for impairment which improves consistency in impairment testing requirements among long-lived asset categories. ASU 2012-02 permits an assessment of qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying value. For assets in which this assessment concludes it is more likely than not that the fair value is more than its carrying value, these amended standards eliminate the requirement to perform quantitative impairment testing as outlined in the previously issued standards. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, early adoption is permitted. The Company believes that the implementation of ASU 2012-02 will



not have a material effect on its Consolidated Financial Statements.

In February 2013, the FASB issued ASU No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income (“ASU 2013-02”), which requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income, if the amount being reclassified is required to be reclassified in its entirety to net income. For other amounts that are not required to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required that provide additional detail about those amounts. The amendments in ASU 2013-02 supersede the presentation requirements for reclassifications out of accumulated other comprehensive income in ASU 2011-05 and ASU 2011-12. ASU 2013-02 is effective for reporting periods beginning after December 15, 2012, early adoption is permitted. The Company believes that the implementation of ASU 2013-02 will not have a material effect on its Consolidated Financial Statements.

## Critical Accounting Estimates and Policies

The Company prepares its consolidated financial statements in accordance with accepted accounting principles as in effect in the United States (U.S. “GAAP”). The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent, and the Company evaluates its estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions. The Company believes the following critical accounting policies reflect the significant judgments and estimates used in the preparation of its Consolidated Financial Statements:

### Revenue recognition Income taxes

#### Revenue Recognition

The majority of the Company’s revenues come from the sale of print and digital subscriptions and fees for copyright proprietary information, and, prior to December 23, 2010, investment management and 12b-1 fees. The Company recognizes subscription revenue, net of discounts, in equal amounts over the term of the subscription, which generally ranges from three months to one year or longer, varying based on the product or service. Copyright data fees are calculated monthly based on market fluctuation and billed quarterly. Prior to the Restructuring Date, December 23, 2010, investment management fee and 12b-1 fee revenues for the Value Line Funds were recognized each month based upon the daily net asset value of each Fund. The Company believes that the estimates related to revenue recognition are critical accounting estimates, and to the extent that there are material differences between its determination of revenues and actual results, its financial condition or results of operations may be affected.

#### Income Taxes

The Company’s effective annual income tax expense rate is based on the U.S. federal and state and local jurisdiction tax rates on income and losses that are part of its Consolidated Financial Statements. Tax-planning opportunities, non-taxable income, expenses that are not deductible in the Company’s tax returns, and the blend of business income, including income derived from the Company’s non-voting revenue and non-voting profits interests in EAM and income from securities transactions, will impact the effective tax rate in the various jurisdictions in which the Company operates. Significant judgment is required in evaluating the Company’s tax positions.

Tax law requires items to be included in the tax return at different times from when these items are reflected in the Company’s Consolidated Financial Statements. As a result, the effective tax rate reflected in the Company’s Consolidated Financial Statements is different from the tax rate reported on the Company’s tax returns (the Company’s cash tax rate). These differences reverse over time, such as depreciation and amortization expenses. These timing differences create deferred tax assets and liabilities. Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and the tax basis of assets and liabilities.

As of April 30, 2013 and 2012, the Company had \$227,000 and \$442,000, respectively, of deferred tax assets. In fiscal 2012, deferred tax assets included \$141,000 of short term deferred Federal, State, and local taxes, related to the net operating loss carryforwards of \$360,000. In assessing the Company’s deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate

realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or utilized in the Company's tax filings.

In assessing the need for a valuation allowance, the Company considers both positive and negative evidence, including tax-planning strategies, projected future taxable income, and recent financial performance. If after future assessments of the realizability of the deferred tax assets the Company determines a lesser allowance is required, the Company would record a reduction to the income tax expense and to the valuation allowance in the period this determination was made. This would cause the Company's income tax expense, effective tax rate, and net income to fluctuate.

In addition, the Company establishes reserves at the time that it determines that it is more likely than not that it will need to pay additional taxes related to certain matters. The Company adjusts these reserves, including any impact of the related interest and penalties, in light of changing facts and circumstances such as the progress of a tax audit. A number of years may elapse before a particular matter for which the Company has established a reserve is audited and finally resolved. The number of years with open tax audits varies depending on the tax jurisdiction. Such liabilities are recorded as income taxes payable in the Company's Consolidated Balance Sheets. The settlement of any particular issue would usually require the use of cash. Favorable resolutions of tax matters for which the Company has previously established reserves are recognized as a reduction to the Company's income tax expense when the amounts involved become known.

Assessing the future tax consequences of events that have been recognized in the Company's financial statements or tax returns requires judgment. Variations in the actual outcome of these future tax consequences could materially impact the Company's financial position, results of operations, or cash flows.

#### Off-Balance Sheet Arrangements

The Company is not party to any off-balance sheet arrangements, other than operating leases in the ordinary course of business, which is disclosed below in the table of contractual obligations.

#### Contractual Obligations

Below is a summary of certain contractual obligations of the Company (\$ in thousands):

| Contractual Obligations     | Payments due by period |                     |           |           |                         |
|-----------------------------|------------------------|---------------------|-----------|-----------|-------------------------|
|                             | Total                  | Less than<br>1 year | 1-3 years | 3-5 years | More<br>than<br>5 years |
| Long Term Debt Obligations  | -                      | -                   | -         | -         | -                       |
| Capital Lease Obligations   | -                      | -                   | -         | -         | -                       |
| Operating Lease Obligations | \$ 5,976               | \$ 1,816            | \$ 2,936  | \$ 1,224  | -                       |
| Purchase Obligations        | -                      | -                   | -         | -         | -                       |
| Total                       | \$ 5,976               | \$ 1,816            | \$ 2,936  | \$ 1,224  | -                       |

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market Risk Disclosures

The Company's Consolidated Balance Sheet includes a substantial amount of assets whose fair values are subject to market risks. The Company's market risks are primarily associated with interest rates and equity price risk. The following sections address the significant market risks associated with the Company's investment activities.

Interest Rate Risk

The Company's strategy has historically been to acquire debt securities with low credit risk and low price risk. Despite this objective, management recognizes and accepts the possibility that losses may occur. To limit the price fluctuation in these securities from interest rate changes, the Company's management historically invested primarily in short term obligations maturing in less than one year. At April 30, 2013 and April 30, 2012, the Company did not have investments in securities with fixed maturities and therefore does not have any interest rate risk.

Equity Price Risk

The carrying values of investments subject to equity price risks are based on quoted market prices as of the balance sheet dates. Market prices are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the issuer, the relative price of alternative investments and general market conditions. Furthermore, amounts realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

The Company's equity investment strategy has been to acquire equity securities across a diverse industry group. The portfolio consists primarily of ETFs and select common stock holdings of blue chip companies with a concentration on large capitalization companies with high relative dividend yields. In order to maintain liquidity in these securities, the Company's policy has been to invest in and hold in its portfolio, no more than 5% of the approximate average daily trading volume in any one issue. Additionally, the Company may purchase and hold non-leveraged ETFs whose performance inversely corresponds to the market value changes of investments in other ETF securities held in the equity portfolio for dividend yield.

As of April 30, 2013 and April 30, 2012, the aggregate cost of the equity securities classified as available-for-sale, which consist of investments in the iShares Dow Jones Select Dividend Index (DVY), SPDR S&P Dividend (SDY), First Trust Value Line Dividend Index (FVD), PowerShares Financial Preferred (PGF), certain common shares of equity securities and inverse equity index ETFs, was \$6,295,000 and \$3,749,000, respectively, and the fair value was \$6,682,000 and \$3,881,000, respectively.

Equity Securities

| Estimated<br>Fair<br>Value after | Hypothetical<br>Percentage<br>Increase<br>(Decrease) in |
|----------------------------------|---|
|----------------------------------|---|

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| (\$ in thousands)       |   | Fair Value | Hypothetical<br>Price Change | Hypothetical<br>Change in<br>Prices | Shareholders'<br>Equity |   |
|-------------------------|---|------------|------------------------------|-------------------------------------|-------------------------|---|
| As of April 30,<br>2013 | Equity Securities and ETFs<br>held for dividend yield | \$ 4,732   | 30% increase                 | \$ 6,152                            | 2.80                    | % |
|                         |   |            | 30% decrease                 | \$ 3,312                            | -2.80                   | % |
| As of April 30,<br>2013 | Inverse ETF Holdings                                  | \$ 1,950   | 30% increase                 | \$ 1,365                            | -1.15                   | % |
|                         |   |            | 30% decrease                 | \$ 2,535                            | 1.15                    | % |
| As of April 30,<br>2013 | Total   | \$ 6,682   | 30% increase                 | \$ 7,517                            | 1.64                    | % |
|                         |   |            | 30% decrease                 | \$ 5,847                            | -1.64                   | % |

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| Equity Securities    |  |            | Hypothetical | Estimated Fair | Hypothetical  |   |
|----------------------|--|------------|--------------|----------------|---------------|---|
|                      |  |            | Price Change | Value after    | Increase      |   |
|                      |  |            |              | Hypothetical   | (Decrease) in |   |
|                      |  |            |              | Change in      | Shareholders' |   |
|                      |  |            |              | Prices         | Equity        |   |
| (\$ in thousands)    |  | Fair Value |              |                |               |   |
| As of April 30, 2012 | Equity Securities and ETFs held for dividend yield | \$ 2,565   | 30% increase | \$ 3,334       | 1.54          | % |
|                      |  |            | 30% decrease | \$ 1,796       | -1.54         | % |
| As of April 30, 2012 | Inverse ETF Holdings                               | \$ 1,316   | 30% increase | \$ 921         | -0.79         | % |
|                      |  |            | 30% decrease | \$ 1,710       | 0.79          | % |
| As of April 30, 2012 | Total  | \$ 3,881   | 30% increase | \$ 4,255       | 0.75          | % |
|                      |  |            | 30% decrease | \$ 3,506       | -0.75         | % |

#### Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The following consolidated financial statements of the registrant and its subsidiaries are included as a part of this Form 10-K:

|  | Page Number |
|--|-------------|
| Report of independent auditors   | 56          |
| Consolidated balance sheets at April 30, 2013 and 2012   | 57          |
| Consolidated statements of income for the fiscal years ended April 30, 2013, 2012 and 2011                         | 58          |
| Consolidated Statements of Comprehensive Income for the fiscal years ended April 30, 2013, 2012 and 2011           | 59          |
| Consolidated statements of cash flows for the fiscal years ended April 30, 2013, 2012 and 2011                     | 60          |
| Consolidated statement of changes in shareholders' equity for the fiscal years ended April 30, 2013, 2012 and 2011 | 61          |
| Notes to the consolidated financial statements   | 62          |

Quarterly Results (Unaudited)  
(\$ in thousands, except per share amounts)

|                 | Net<br>Revenues | Income<br>from<br>Operations | Gain from<br>Deconsolidation<br>of<br>Subsidiaries | Revenues<br>and Profits<br>Interests in<br>EAM Trust | Income/<br>(Loss)<br>From<br>Securities<br>Trans.,<br>net | Net<br>Income | Earnings<br>Per Share |
|-----------------|-----------------|------------------------------|--|--|---|---------------|-----------------------|
| 2013, by        |                 |                              |  |  |   |               |                       |
| Quarter         |                 |                              |  |  |   |               |                       |
| First           | \$ 8,938        | \$ 1,352                     | -  | \$ 1,473   | \$ 26   | \$ 1,776      | \$ 0.18               |
| Second          | 8,809           | 920                          | -  | 1,529  | 30  | 1,572         | 0.16                  |
| Third           | 8,946           | 1,088                        | -  | 1,625  | 37  | 1,747         | 0.18                  |
| Fourth          | 9,147           | 760                          | -  | 1,633  | 33  | 1,524         | 0.15                  |
| Total           | \$ 35,840       | \$ 4,120                     | \$ -   | \$ 6,260   | \$ 126  | \$ 6,619      | \$ 0.67               |
| 2012, by        |                 |                              |  |  |   |               |                       |
| Quarter         |                 |                              |  |  |   |               |                       |
| First           | \$ 9,370        | \$ 1,638                     | -  | \$ 1,572   | \$ 11   | \$ 2,076      | \$ 0.21               |
| Second          | 9,140           | 1,518                        | -  | 1,343  | 20  | 1,915         | 0.19                  |
| Third           | 8,996           | 1,823                        | -  | 1,456  | 3   | 1,844         | 0.19                  |
| Fourth          | 9,103           | 359                          | -  | 1,519  | 36  | 1,090         | 0.11                  |
| Total           | \$ 36,609       | \$ 5,338                     | \$ -   | \$ 5,890   | \$ 70   | \$ 6,925      | \$ 0.70               |
| 2011, by        |                 |                              |  |  |   |               |                       |
| Quarter         |                 |                              |  |  |   |               |                       |
| First (1)       | \$ 13,609       | \$ 3,546                     | -  | \$ -   | \$ 37   | \$ 2,317      | \$ 0.23               |
| Second (1)      | 13,498          | 1,790                        | -  | -  | 51  | 1,087         | 0.11                  |
| Third (1), (2)  | 12,035          | 229                          | 50,510   | 724  | (40 )   | 31,437        | 3.15                  |
| Fourth (3), (2) | 9,525           | 2,968                        | -  | 1,631  | 17  | 2,941         | 0.30                  |
| Total           | \$ 48,667       | \$ 8,533                     | \$ 50,510  | \$ 2,355   | \$ 65   | \$ 37,782     | \$ 3.79               |

(1) During the first, second and third quarters of fiscal 2011, the Company recorded expenses related to the EAM Restructuring Transaction of \$1,342,000, \$1,120,000 and \$1,302,000, respectively.

(2) The Company's expenses include non-cash post-employment compensation of \$1,475,000 during the third quarter and an additional \$295,000 during the fourth quarter of fiscal 2011 related to a grant of a voting profits interest in EAM to a former employee.

(3) The fourth quarter of fiscal 2011 includes \$914,000 related to the operating lease exit costs in connection with EAM's exit from the Company's office facility and the reversal of \$1,767,000 of previously recorded expenses associated with the Provision for Settlement due to a change in estimated costs to administer the Fair Fund.



Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

Item 9A. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures.

The Company's Chief Executive Officer and Vice President & Treasurer carried out an evaluation of the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 (the "Exchange Act") Rules 13a-15(e) or 15d-15(e)) as of April 30, 2013, as required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15. The Company's Chief Executive Officer and Vice President & Treasurer are engaged in a comprehensive effort to review, evaluate and improve the Company's controls; however, management does not expect that the Company's disclosure controls or its internal controls over financial reporting can prevent all possible errors and fraud.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports filed with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Vice President & Treasurer, as appropriate, to allow timely decisions regarding required disclosure.

The Company's management has evaluated, with the participation of the Company's Chief Executive Officer and, the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Vice President & Treasurer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

This Form 10-K does not include an attestation report of the Company's registered public accounting firm regarding the Company's internal control over financial reporting. Under applicable SEC rules, no such attestation report by the Company's registered public accounting firm is required.

Changes in Internal Controls

In the course of the evaluation of disclosure controls and procedures, the Chief Executive Officer and Vice President & Treasurer considered certain internal control areas in which the Company has made and is continuing to make changes to improve and enhance controls. Based upon that evaluation, the Chief Executive Officer and Vice President & Treasurer of the Company concluded that there were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during the fourth quarter of fiscal 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

(b) Management's Annual Report on Internal Control over Financial Reporting.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, and effected by the board of directors, management, and other personnel, to provide reasonable assurance regarding the

reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP including those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and that receipts and expenditures are being made only in accordance with

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authorizations of management and directors of the Company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Under the supervision and with the participation of management, including the Chief Executive Officer and the Vice President & Treasurer, acting as Principal Financial Officer, the Company has assessed the effectiveness of its internal control over financial reporting as of April 30, 2013. In making this assessment, management used the criteria described in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment and those criteria, management concluded that the Company did maintain effective internal control over financial reporting as of April 30, 2013.

#### Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the fourth quarter of fiscal 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### Item 9B. OTHER INFORMATION.

None.

Part III

Item 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE.

| (a) Names of Directors, Age as of June 28, 2013 and Principal Occupation  | Director<br>Since |
|---|-------------------|
| <p>Howard A. Brecher* (59). Chairman and Chief Executive Officer of the Company since October 2011; Acting Chairman and Acting Chief Executive Officer of the Company from November 2009 until October 2011; Chief Legal Officer; Vice President and Secretary of the Company from prior to 2005 until January 2010; Vice President and Secretary of the Value Line Funds from June 2008 until December 2010; Secretary of EAM LLC from February 2009 until December 2010; Director and General Counsel of AB&amp;Co., Inc. since prior to 2005.</p> <p>Mr. Brecher has been an officer of the Company for more than 20 years. In addition to his current roles with the Company, he has also served as Secretary of the Company and as a senior officer of significant affiliates of the Company. Mr. Brecher is a graduate of Harvard College, Harvard Business School and Harvard Law School. He also holds a Master's Degree in tax law from New York University.</p> | 1992              |
| <p>Stephen P. Davis (61). Managing Member, Davis Investigative Group, LLC since 2001. Mr. Davis served as a senior officer in the New York City Police Department and has successfully managed his own business servicing the financial services industry and other clients for more than 11 years.</p>   | 2010              |
| <p>Alfred R. Fiore (57). Retired Chief of Police, Westport CT. Mr. Fiore served as the senior official of a municipal department with both executive and budget responsibilities. He was Chief of Police, Westport CT from 2004 to 2011 and was a member of that Police Department for more than 33 years.</p>  | 2010              |
| <p>William E. Reed (68). President, W.E. Reed. Mr. Reed has successfully managed his own private business for over 41 years, providing a spectrum of services to real estate owners and managers regionally.</p>  | 2010              |
| <p>Glenn J. Muenzer (56). Special Agent (Retired), Federal Bureau of Investigation (the "FBI") since 1991. Mr. Muenzer is accomplished law enforcement professional with extensive law enforcement and financial investigative experience. Prior to joining the FBI, Mr. Muenzer was Vice President and Manager of Internal Audit at Thomson McKinnon Securities, Inc.; Assistant Vice President of Internal Audit at EF Hutton; Senior Auditor with Deloitte &amp; Touche. Mr. Muenzer is a Certified Public Accountant.</p>   | 2012              |
| <p>Stephen R. Anastasio* (54). Vice President of the Company since December 2010; Treasurer since September 2005 and Director since February 2010; Treasurer of each of the Value Line Funds from September 2005 to August 2008. Mr. Anastasio has been employed by Value Line, Inc. for more than 23 years. In addition to his current roles with the Company, he has served as Chief Financial Officer, Treasurer, Chief Accounting Officer and Corporate Controller of the Company. His relevant experience also includes being Treasurer of each of the Value Line Mutual Funds from 2005 to 2008. Mr. Anastasio is a graduate of Fairleigh Dickinson University and is a Certified Public Accountant.</p>  | 2010              |

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Mary Bernstein\* (63). Director of Accounting of the Company since 2010; 2010 Accounting Manager of the Company from 2000 to 2010. Mrs. Bernstein holds an MBA Degree in accounting from Baruch College of CUNY and is a Certified Public Accountant. Mrs. Bernstein has been employed by Value Line, Inc. for more than 17 years.

\* Member of the Executive Committee of the Board of Directors.

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Except as noted, the directors have held their respective positions for at least five years. Information about the experience, qualifications, attributes and skills of the directors is incorporated by reference from the section entitled “Director Qualifications” in the Company’s Proxy Statement for the 2013 Annual Meeting of Shareholders.

(b)The information pertaining to executive officers of the Company is set forth in Part I , Item I, subsection J under the caption “Executive Officers of the Registrant” of this Form 10-K.

#### Audit Committee

The Company has a standing Audit Committee performing the functions described in Section 3(a) (58) (A) of the Securities Exchange Act of 1934, the members of which are: Mr. Glenn Muenzer, Mr. Stephen Davis, Mr. Alfred Fiore, and Mr. William Reed. Mr. Muenzer, a qualified financial expert, was elected by shareholders as Chairman of the Audit Committee at the annual shareholder meeting on September 19, 2012. The Board of Directors have determined that Mr. Muenzer is an “audit committee financial expert” (as defined in the rules and regulations of the SEC). The Board of Directors believes that the experience and financial sophistication of the members of the Audit Committee are sufficient to permit the members of the Audit Committee to fulfill the duties and responsibilities of the Audit Committee. All members of the Audit Committee meet the NASDAQ’s financial sophistication requirements for audit committee members.

#### Code of Ethics

The Company’s Code of Business Conduct and Ethics that applies to its principal executive officer, principal financial officer, all other officers, and all other employees is available on the Company’s website at [www.valueline.com/About/Code of Ethics.aspx](http://www.valueline.com/About/Code of Ethics.aspx).

#### Procedures for Shareholders to Nominate Directors

There have been no material changes to the procedures by which shareholders of the Company may recommend nominees to the Company’s Board of Directors.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company’s executive officers and directors, and persons who own more than ten percent of a registered class of the Company’s equity securities, to file reports of ownership and changes in ownership with the SEC on Forms 3, 4 and 5. Executive officers, directors and greater than ten percent shareholders are required by SEC regulations to furnish the Company with copies of all Forms 3, 4 and 5 they file.

Based on the Company’s review of the copies of such forms that it has received and written representations from certain reporting persons confirming that they were not required to file Forms 5 for the fiscal year ended April 30, 2013, the Company believes that all its executive officers, directors and greater than ten percent shareholders complied with applicable SEC filing requirements during fiscal 2013.

#### Item 11. EXECUTIVE COMPENSATION.

The information required in response to this Item 11, Executive Compensation, is incorporated by reference from the section entitled “Compensation of Directors and Executive Officers” in the Company’s Proxy Statement for the 2013

Annual Meeting of Shareholders.

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Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth information as of April 30, 2013 as to shares of the Company's Common Stock held by persons known to the Company to be the beneficial owners of more than 5% of the Company's Common Stock.

| Name and Address of Beneficial Owner                                       | Number of Shares Beneficially Owned | Percentage of Shares Beneficially Owned |
|--|-------------------------------------|---|
| Arnold Bernhard & Co., Inc.*<br>220 East 42nd Street<br>New York, NY 10017 | 8,633,733                           | 87.4%                                   |

\*All of the outstanding voting stock of Arnold Bernhard & Co., Inc. is owned by Jean B. Buttner.

The following table sets forth information as of April 30, 2013, with respect to shares of the Company's Common Stock owned by each director of the Company, by each executive officer listed in the Summary Compensation Table and by all executive officers and directors as a group.

| Name and Address of Beneficial Owner                           | Number of Shares Beneficially Owned | Percentage of Shares Beneficially Owned |
|--|-------------------------------------|---|
| Howard A. Brecher  | 800                                 | *                                       |
| Stephen R. Anastasio   | 200                                 | *                                       |
| Glenn J. Muenzer   | 200                                 | *                                       |
| William E. Reed  | 500                                 | *                                       |
| Stephen P. Davis   | 200                                 | *                                       |
| Alfred R. Fiore  | 300                                 | *                                       |
| Mary Bernstein   | 200                                 | *                                       |
| All directors and executive officers as a group<br>(7 persons) | 2,400                               | *                                       |

\* Less than one percent

Securities Authorized for Issuance under Equity Compensation Plans

There are no securities of the Company authorized for issuance under equity compensation plans.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.



AB&Co., which owns approximately 87.4% of the outstanding shares of the Company's common stock, utilizes the services of officers and employees of the Company to the extent necessary to conduct its business. The Company and AB&Co. allocate costs for office space, equipment and supplies and shared staff pursuant to a servicing and reimbursement agreement. During the fiscal year ended April 30, 2013, the Company was reimbursed \$220,000 for payments it made on behalf of and services it provided to AB&Co. During the fiscal year ended April 30, 2012, the Company was reimbursed \$268,000 for payments it made on behalf of and services it provided to AB&Co. There were no receivables due from the Parent at April 30, 2013 or April 30, 2012. In addition, a tax-sharing arrangement allocates the tax liabilities of the two companies between them. The Company is included in the consolidated federal income tax return filed by AB&Co. The Company pays to AB&Co. an amount equal to the Company's liability as if it filed a separate federal income tax return. For the years ended April 30, 2013 and 2012, the Company made payments to AB&Co. for federal income taxes amounting to \$1,877,000 and \$845,000, respectively.

As a result of the completion of the Restructuring Transaction on December 23, 2010, the Company no longer receives investment management or distribution services revenues from the Value Line Mutual Funds. For the period from May 1, 2010 through December 23, 2010, investment management fees and distribution fees amounted to \$10,584,000 after taking into account fee waivers for certain of the Value Line Funds. These amounts included distribution fees of \$2,308,000, earned by ESI for the period from May 1, 2010 through December 23, 2010. For the period from May 1, 2010 through December 23, 2010, total management fee waivers and reimbursements were \$513,000 and distribution fee waivers were \$1,651,000. The Company also managed a fixed income portfolio for AB&Co. for which it received an asset based fee of \$29,000 during fiscal 2011. That agreement was terminated effective December 1, 2010.

During the transitional period from December 23, 2010 to May 28, 2011, EAM and ES occupied a portion of the premises that the Company leases from a third party. The Company received \$189,000 during the period from December 23, 2010 to April 30, 2011 and \$44,000 during the month of May 2011 for rent and certain accounting and other administrative support services provided to EAM on a transitional basis. In accordance with the terms of the Restructuring Transaction and the EAM Declaration of Trust, EAM vacated the Company's premises before June 1, 2011.

Following the Restructuring Transaction, the Company no longer engages, through subsidiaries, in the investment management or mutual fund distribution businesses. The Company does hold non-voting revenues and non-voting profits interests in EAM which entitle the Company to receive from EAM an amount ranging from 41% to 55% of EAM's investment management fee revenues from its mutual fund and separate accounts business, and 50% of EAM's net profits. EAM currently has no separately managed account clients.

During the twelve months ended April 30, 2013, the Company recorded revenues of \$6,260,000, consisting of \$5,781,000, from its non-voting revenues interest in EAM and \$479,000, from its non-voting profits interest in EAM without incurring any directly related expenses.

During the twelve months ended April 30, 2012, the Company recorded revenues of \$5,890,000, consisting of \$5,684,000, from its non-voting revenues interest in EAM and \$206,000, from its non-voting profits interest in EAM. During the period from December 23, 2010 (the Restructuring Date) through April 30, 2011, the Company recorded revenues of \$2,355,000, consisting of \$2,187,000, from its non-voting revenues interest in EAM and \$168,000 from its non-voting profits interest in EAM.

Included in the Company's Investment in EAM Trust are receivables due from EAM of \$1,621,000 and \$497,000 at April 30, 2013 and April 30, 2012, respectively, for the unpaid portion of Value Line's non-voting revenues and profits interests. The non-voting revenues interest due from EAM are payable to Value Line quarterly under the provisions of the EAM Declaration of Trust.

The Company has adopted a written Related Party Transactions Policy as part of its Code of Business Conduct and Ethics. This policy requires that any related party transaction which would be required to be disclosed under Item 404(a) of Regulation S-K must be approved or ratified by the Audit Committee of the Board of Directors. Transactions covered for the fiscal year ended April 30, 2013 include the matters described in the preceding paragraphs of this Item 13.

Director Independence

The information required with respect to director independence and related matters are incorporated by reference from the section entitled "Compensation of Directors and Executive Officers" in the Company's Proxy Statement for the 2013 Annual Meeting of Shareholders.

## Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

## Audit and Non-Audit Fees

The following table illustrates the fees paid to the Company's independent auditor, Horowitz & Ullmann P.C., for services provided:

|                    | Fiscal Years Ended April<br>30, |            |
|--------------------|---------------------------------|------------|
|                    | 2013                            | 2012       |
| Audit fees         | \$ 134,000                      | \$ 159,260 |
| Audit-related fees | -                               | 35,145     |
| Tax fees           | 76,430                          | 144,465    |
| Total              | \$ 210,430                      | \$ 338,870 |

In the above table, in accordance with the SEC's definitions and rules, "audit fees" are fees the Company paid Horowitz & Ullmann, P.C. for professional services for the audit of the Company's consolidated financial statements for the fiscal years ended April 30, 2013 and 2012 included in Form 10-K and the review of consolidated condensed financial statements and included in Form 10-Qs and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements; "audit-related fees" are fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements; and "tax fees" are fees for tax compliance, tax advice and tax planning.

## Audit Committee Pre-Approval Policies and Procedures

The Audit Committee of the Company's Board of Directors approves all services provided by Horowitz & Ullmann, P.C., prior to the provision of those services. The Audit Committee has not adopted any specific pre-approval policies and procedures.

Part IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

- (a) (1) Financial Statements- See Part II Item 8.

All other Schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

- (b) Exhibits

- 3.1 Certificate of Incorporation of the Company, as amended through April 7, 1983, is incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 of Value Line, Inc. filed with the SEC on April 7, 1983.
- 3.2 Certificate of Amendment of Certificate of Incorporation dated October 24, 1989 is incorporated by reference to Exhibit 3.2 to the Amended Annual Report on Form 10-K/A for the year ended April 30, 2008 filed with the SEC on June 5, 2009.
- 3.3 By-laws of the Company, as amended through January 18, 1996, are incorporated by reference to Exhibit 3.1 to the Amended Quarterly Report on Form 10-Q/A for the quarter ended January 31, 1996 filed with the SEC on March 19, 1996.
- 10.1 Form of tax allocation arrangement between the Company and AB&Co. is incorporated by reference to Exhibit 10.8 to the Registration Statement on Form S-1 of Value Line, Inc. filed with the SEC on April 7, 1983.
- 10.2 Form of Servicing and Reimbursement Agreement between the Company and AB&Co., dated as of November 1, 1982, is incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-1 of Value Line, Inc. filed with the SEC on April 7, 1983.
- 10.3(a) Lease, dated as of June 4, 1993, for the Company's premises at 220 East 42nd Street, New York, NY, is incorporated by reference to Exhibit 10.13 to the Annual Report on Form 10-K for the year ended April 30, 1994 filed with the SEC on June 17, 1994.
- 10.3(b) Amendment to Lease, dated September 14, 2000, is incorporated by reference to Exhibit 10.14 to the Amended Annual Report on Form 10-K/A for the year ended April 30, 2001 filed with the SEC on August 17, 2001.
- 10.3(c) Amendment to Lease, dated April 23, 2007, is incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-K for the year ended April 30, 2007 filed with the SEC on July 20, 2007.
- 10.3(d) Lease Modification, dated as of February 7, 2013, is incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended January 31, 2013 filed with the SEC on March 13, 2013.
- 10.4 Form of indemnification agreement, dated July 13, 2010, by and between the Company and each of Howard A. Brecher, Stephen Davis, Alfred Fiore, William E. Reed, Mitchell E. Appel, Stephen R. Anastasio and Thomas T. Sarkany is incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K for the year ended

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April 30, 2010 filed with the SEC on July 16, 2010.

10.5EULAV Asset Management Declaration of Trust dated as of December 23, 2010 is incorporated by reference to Exhibit 10.16 to the Quarterly Report on Form 10-Q for the quarter ended January 31, 2011 filed with the SEC on March 24, 2011.

10.6 Agreement of Sublease, dated as of February 7, 2013, for the Company's premises at 485 Lexington Ave., New York, NY, is incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended January 31, 2013 filed with the SEC on March 13, 2013.

14.1 Code of Business Conduct and Ethics is incorporated by reference to Exhibit 14.1 to the Quarterly Report on Form 10-Q for the quarter ended January 31, 2011 filed with the SEC on March 24, 2011.

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List of subsidiaries of Value Line, Inc.\*

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*

31.2 Certification of Principal Financial Officer and Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*

32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This exhibit shall not be deemed "filed" as a part of this Annual Report on Form 10-K.\*

32.2 Certification of the Principal Financial Officer and Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This exhibit shall not be deemed "filed" as a part of this Annual Report on Form 10-K.\*

99.1 EULAV Asset Management Audited Consolidated Financial Statements as of April 30, 2013. Separate financial statements of subsidiaries not consolidated and fifty percent or less owned persons.\*

\* Filed herewith.

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VALUE LINE, INC.  
(Registrant)

By: /s/ Howard A.  
Brecher  
Howard A. Brecher  
Chairman & Chief Executive Officer  
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Howard A. Brecher  
Howard A. Brecher  
Chairman & Chief Executive Officer and Director  
(Principal Executive Officer)

By: /s/ Stephen R. Anastasio  
Stephen R. Anastasio  
Vice President & Treasurer and Director  
(Principal Financial Officer and Principal  
Accounting Officer)

Dated: July 26, 2013



Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the undersigned on behalf of the Registrant as Directors of the Registrant.

/s/ Glenn J. Muenzer  
Glenn J. Muenzer  
Director

/s/ William E. Reed  
William E. Reed  
Director

/s/ Stephen P. Davis  
Stephen P. Davis  
Director

/s/ Alfred R. Fiore  
Alfred R. Fiore  
Director

/s/ Mary Bernstein  
Mary Bernstein  
Director

Dated: July 26, 2013

**HOROWITZ & ULLMANN, P.C.**

Certified Public Accountants

A member of the  
AICPA Center for Audit Quality  
New York State Society of CPAs  
PCAOB registered

275 Madison Avenue  
New York, NY 10016  
Telephone: (212) 532-3736  
Facsimile: (212) 545-8997  
E-mail: cpas@horowitz-ullmann.com

Report of Independent Accountants

To the Board of Directors  
of Value Line, Inc.

***Introductory Paragraph***

We have audited the accompanying financial statements of Value Line, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of April 30, 2013, and 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended April 30, 2013, and the related notes to the financial statements.

***Management's Responsibility***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Value Line, Inc. and Subsidiaries as of April 30, 2013, and 2012, and the results of its operations and its cash flows for each of the years in the three-year period ended April 30, 2013, in accordance with accounting principles generally accepted in the United States of America.

New York, NY

July 18, 2013

Part II  
Item 8.

Value Line, Inc.  
Consolidated Balance Sheets  
(in thousands, except share amounts)

|  | April 30,<br>2013 | April 30,<br>2012 |
|--|-------------------|-------------------|
| Assets   |                   |                   |
| Current Assets:  |                   |                   |
| Cash and cash equivalents (including short term investments of \$6,312 and \$10,848, respectively) | \$6,840           | \$12,042          |
| Securities available-for-sale  | 6,682             | 3,881             |
| Accounts receivable, net of allowance for doubtful accounts of \$17 and \$44, respectively         | 1,278             | 902               |
| Prepaid and refundable income taxes  | -                 | 779               |
| Prepaid expenses and other current assets  | 1,646             | 1,071             |
| Deferred income taxes  | 227               | 442               |
| Total current assets   | 16,673            | 19,117            |
| Long term assets:  |                   |                   |
| Investment in EAM Trust  | 57,511            | 56,331            |
| Property and equipment, net  | 3,930             | 3,854             |
| Capitalized software and other intangible assets, net  | 6,227             | 5,067             |
| Total long term assets   | 67,668            | 65,252            |
| Total assets   | \$84,341          | \$84,369          |
| Liabilities and Shareholders' Equity   |                   |                   |
| Current Liabilities:   |                   |                   |
| Accounts payable and accrued liabilities   | \$2,460           | \$2,948           |
| Accrued salaries   | 1,200             | 1,108             |
| Dividends payable  | 1,481             | 1,484             |
| Accrued taxes on income  | 180               | 96                |
| Unearned revenue   | 22,073            | 21,548            |
| Total current liabilities  | 27,394            | 27,184            |
| Long term liabilities:   |                   |                   |
| Unearned revenue   | 2,636             | 4,447             |
| Deferred income taxes  | 21,326            | 20,424            |
| Total long term liabilities  | 23,962            | 24,871            |
| Total liabilities  | 51,356            | 52,055            |
| Shareholders' Equity:  |                   |                   |
| Common stock, \$0.10 par value; authorized 30,000,000 shares; issued 10,000,000 shares             | 1,000             | 1,000             |
| Additional paid-in capital   | 991               | 991               |

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|   |          |   |          |
|---|----------|---|----------|
| Retained earnings   | 32,315   |   | 31,628   |
| Treasury stock, at cost (123,572 shares and 103,619 shares, respectively) | (1,572   | ) | (1,390 ) |
| Accumulated other comprehensive income, net of tax                        | 251      |   | 85       |
| Total shareholders' equity  | 32,985   |   | 32,314   |
| <br>  |          |   |          |
| Total liabilities and shareholders' equity                                | \$84,341 |   | \$84,369 |

See independent auditor's report and accompanying notes to the consolidated financial statements.

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Part II  
Item 8.

Value Line, Inc.  
Consolidated Statements of Income  
(in thousands, except share & per share amounts)

|   | For the Fiscal Years Ended<br>April 30, |           |           |
|---|---|-----------|-----------|
|   | 2013                                    | 2012      | 2011      |
| Revenues:                                       |   |           |           |
| Investment periodicals and related publications | \$31,940                                | \$33,018  | \$34,406  |
| Copyright data fees                             | 3,900                                   | 3,591     | 3,568     |
| Investment management fees & services           | -                                       | -         | 10,693    |
| Total revenues                                  | 35,840                                  | 36,609    | 48,667    |
| Expenses:                                       |   |           |           |
| Advertising and promotion                       | 4,075                                   | 4,203     | 6,673     |
| Salaries and employee benefits                  | 15,034                                  | 15,001    | 17,242    |
| Production and distribution                     | 5,694                                   | 4,894     | 4,718     |
| Office and administration                       | 6,917                                   | 7,173     | 9,504     |
| Expenses related to restructuring               | -                                       | -         | 3,764     |
| Provision for settlement                        | -                                       | -         | (1,767)   |
| Total expenses                                  | 31,720                                  | 31,271    | 40,134    |
| Income from operations                          | 4,120                                   | 5,338     | 8,533     |
| Gain on deconsolidation of subsidiaries         | -                                       | -         | 50,510    |
| Revenues and profits interests in EAM Trust     | 6,260                                   | 5,890     | 2,355     |
| Income from securities transactions, net        | 126                                     | 70        | 65        |
| Income before income taxes                      | 10,506                                  | 11,298    | 61,463    |
| Income tax provision                            | 3,887                                   | 4,373     | 23,681    |
| Net income                                      | \$6,619                                 | \$6,925   | \$37,782  |
| Earnings per share, basic & fully diluted       | \$0.67                                  | \$0.70    | \$3.79    |
| Weighted average number of common shares        | 9,888,774                               | 9,921,925 | 9,980,000 |

See independent auditor's report and accompanying notes to the consolidated financial statements.

Part II  
Item 8.

Value Line, Inc.  
Consolidated Statements of Comprehensive Income  
(in thousands)

|  | For the Fiscal Years Ended |         |          |
|--|----------------------------|---------|----------|
|  | April 30,                  |         |          |
|  | 2013                       | 2012    | 2011     |
| Net income   | \$6,619                    | \$6,925 | \$37,782 |
| Other comprehensive income, net of tax:                |                            |         |          |
| Change in unrealized gains on securities, net of taxes | 166                        | 22      | 65       |
| Other comprehensive income                             | 166                        | 22      | 65       |
| Comprehensive income                                   | \$6,785                    | \$6,947 | \$37,847 |

See independent auditor's report and accompanying notes to the consolidated financial statements.

Part II  
Item 8.

Value Line, Inc.  
Consolidated Statements of Cash Flows  
(in thousands)

|   | For the Fiscal Years Ended |          |           |
|---|----------------------------|----------|-----------|
|   | April 30,                  |          |           |
|   | 2013                       | 2012     | 2011      |
| Cash flows from operating activities:   |                            |          |           |
| Net income  | \$6,619                    | \$6,925  | \$37,782  |
| Adjustments to reconcile net income to net cash provided by operating activities: |                            |          |           |
| Depreciation and amortization   | 1,552                      | 724      | 593       |
| Amortization of bond premium  | -                          | -        | 13        |
| Gain on deconsolidation of subsidiaries   | -                          | -        | (50,510 ) |
| Post-employment non-cash compensation   | -                          | -        | 1,770     |
| Non-voting revenues interest in EAM Trust   | (5,781 )                   | (5,684 ) | (2,187 )  |
| Non-voting profits interest in EAM Trust  | (479 )                     | (206 )   | (168 )    |
| Realized and unrealized losses on securities available-for-sale                   | -                          | 11       | 63        |
| Deferred income taxes   | 1,078                      | 4,288    | 23,738    |
| Expenses for operating lease exit obligation                                      | -                          | -        | 914       |
| Changes in operating assets and liabilities:                                      |                            |          |           |
| Unearned revenue  | (1,286 )                   | (1,006 ) | (176 )    |
| Reserve for settlement  | (32 )                      | (1,189 ) | (2,783 )  |
| Operating lease exit obligation   | (439 )                     | (439 )   | -         |
| Accounts payable & accrued expenses   | (17 )                      | (1,154 ) | (1,524 )  |
| Accrued salaries  | 92                         | 195      | (318 )    |
| Accrued taxes on income   | 33                         | (60 )    | 91        |
| Prepaid and refundable income taxes   | 779                        | (720 )   | 1,970     |
| Prepaid expenses and other current assets   | (575 )                     | (43 )    | (35 )     |
| Accounts receivable   | (376 )                     | 697      | 82        |
| Receivable from affiliates  | -                          | 37       | 1,345     |
| Total adjustments   | (5,451 )                   | (4,549 ) | (27,122 ) |
| Net cash provided by operating activities   | 1,168                      | 2,376    | 10,660    |
| Cash flows from investing activities:   |                            |          |           |
| Purchases/sales of securities classified as available-for-sale:                   |                            |          |           |
| Maturities and sales of fixed income securities                                   | -                          | 11,196   | 38,021    |
| Proceeds from sales of equity securities  | -                          | 89       | -         |
| Purchases of fixed income securities  | -                          | -        | (27,310 ) |
| Purchases of equity securities  | (2,545 )                   | (2,468 ) | (1,360 )  |
| Cash contribution to deconsolidated subsidiary capital                            | -                          | -        | (5,484 )  |
| Distributions received from EAM Trust   | 5,080                      | 5,876    | 1,793     |
| Acquisition of property and equipment   | (331 )                     | (48 )    | (106 )    |
| Expenditures for capitalized software   | (2,457 )                   | (3,383 ) | (1,801 )  |



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|  |         |   |          |           |
|--|---------|---|----------|-----------|
| Net cash (used) provided by investing activities | (253    | ) | 11,262   | 3,753     |
| Cash flows from financing activities:            |         |   |          |           |
| Purchase of treasury stock at cost               | (182    | ) | (946     | ) (90     |
| Dividends paid                                   | (5,935  | ) | (7,452   | ) (23,956 |
| Net cash used by financing activities            | (6,117  | ) | (8,398   | ) (24,046 |
| Net change in cash and cash equivalents          | (5,202  | ) | 5,240    | (9,633    |
| Cash and cash equivalents at beginning of year   | 12,042  |   | 6,802    | 16,435    |
| Cash and cash equivalents at end of year         | \$6,840 |   | \$12,042 | \$6,802   |

See independent auditor's report and accompanying notes to the consolidated financial statements.

Part II  
Item 8.

Value Line, Inc.  
Consolidated Statements of Changes in Shareholders' Equity  
For the Fiscal Years Ended April 30, 2013, 2012 and 2011  
(in thousands, except share amounts)

|  | Common stock | Additional | Treasury Stock | Retained  | Accumulated |               |         |           |
|--|--------------|------------|----------------|-----------|-------------|---------------|---------|-----------|
|  | Shares       | Amount     | paid-in        | Shares    | earnings    | Other         | Total   |           |
|  |              |            | capital        | Amount    |             | Comprehensive |         |           |
|  |              |            |                |           |             | income (loss) |         |           |
| Balance as of<br>April 30, 2010                                    | 10,000,000   | \$ 1,000   | \$ 991         | (18,400 ) | (\$354 )    | \$ 19,813     | \$ (2 ) | \$ 21,448 |
| Net income   |              |            |                |           | 37,782      |               |         | 37,782    |
| Change in<br>unrealized gains<br>on<br>securities, net of<br>taxes |              |            |                |           |             | 65            | 65      |           |
| Purchase of<br>treasury stock                                      |              |            |                | (6,719 )  | (90 )       |               |         | (90 )     |
| Dividends<br>declared  |              |            |                |           | (25,951 )   |               |         | (25,951 ) |
| Balance as of<br>April 30, 2011                                    | 10,000,000   | \$ 1,000   | \$ 991         | (25,119 ) | (\$444 )    | \$ 31,644     | \$ 63   | \$ 33,254 |

Dividends declared per share were \$0.20 for each of the three months ending July 31, 2010, January 31, 2011 and April 30, 2011, and \$2.00 for the three months ending October 31, 2010.

|  | Common stock | Additional | Treasury Stock | Retained  | Accumulated |               |       |           |
|--|--------------|------------|----------------|-----------|-------------|---------------|-------|-----------|
|  | Shares       | Amount     | paid-in        | Shares    | earnings    | Other         | Total |           |
|  |              |            | capital        | Amount    |             | Comprehensive |       |           |
|  |              |            |                |           |             | income (loss) |       |           |
| Balance as of<br>April 30, 2011                                    | 10,000,000   | \$ 1,000   | \$ 991         | (25,119 ) | (\$444 )    | \$ 31,644     | \$ 63 | \$ 33,254 |
| Net income   |              |            |                |           | 6,925       |               |       | 6,925     |
| Change in<br>unrealized gains<br>on<br>securities, net of<br>taxes |              |            |                |           |             | 22            | 22    |           |
| Purchase of<br>treasury stock                                      |              |            |                | (78,500 ) | (946 )      |               |       | (946 )    |
|  |              |            |                |           | (6,941 )    |               |       | (6,941 )  |

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Dividends  
declared

|                                 |            |          |        |           |            |          |       |          |
|---------------------------------|------------|----------|--------|-----------|------------|----------|-------|----------|
| Balance as of<br>April 30, 2012 | 10,000,000 | \$ 1,000 | \$ 991 | (103,619) | \$(1,390 ) | \$31,628 | \$ 85 | \$32,314 |
|---------------------------------|------------|----------|--------|-----------|------------|----------|-------|----------|

Dividends declared per share were \$0.20 for each of the three months ending July 31, 2011 and October 31, 2011 and \$0.15 for each of the three months ending January 31, 2012 and April 30, 2012.

|  | Common stock<br>Shares | Amount   | Additional<br>paid-in<br>capital | Treasury Stock<br>Shares | Amount     | Retained<br>earnings | Accumulated<br>Other<br>Comprehensive<br>income (loss) | Total    |
|--|------------------------|----------|----------------------------------|--------------------------|------------|----------------------|--|----------|
| Balance as of<br>April 30, 2012                                    | 10,000,000             | \$ 1,000 | \$ 991                           | (103,619)                | \$(1,390 ) | \$31,628             | \$ 85  | \$32,314 |
| Net income   |                        |          |                                  |                          |            | 6,619                |  | 6,619    |
| Change in<br>unrealized gains<br>on<br>securities, net of<br>taxes |                        |          |                                  |                          |            |                      | 166  | 166      |
| Purchase of<br>treasury stock                                      |                        |          |                                  | (19,953 )                | (182 )     |                      |  | (182 )   |
| Dividends<br>declared  |                        |          |                                  |                          |            | (5,932 )             |  | (5,932 ) |
| Balance as of<br>April 30, 2013                                    | 10,000,000             | \$ 1,000 | \$ 991                           | (123,572)                | \$(1,572 ) | \$32,315             | \$ 251   | \$32,985 |

Dividends declared per share were \$0.15 for each of the three months ending July 31, 2012, October, 31, 2012, January 31, 2013 and April 30, 2013.

See independent auditor's report and accompanying notes to the consolidated financial statements.

Value Line, Inc.  
Notes to Consolidated Financial Statements

Note 1-Organization and Summary of Significant Accounting Policies:

Value Line, Inc. (“Value Line” or “VLI”, and collectively with its subsidiaries, the “Company”) is incorporated in the State of New York. The name “Value Line” as used to describe the Company, its products, and its subsidiaries, is a registered trademark of the Company. The Company’s primary business is producing investment periodicals and related publications and making available copyright data including certain Value Line trademarks and Value Line Proprietary Ranking System information to third parties under written agreements for use in third party managed and marketed investment products.

Prior to December 23, 2010 (the “Restructuring Date”), VLI, through its direct subsidiary EULAV Asset Management LLC (“EAM LLC”), provided investment management services to the Value Line Mutual Funds (“Value Line Funds” or the “Funds”), institutions and individual accounts, and, through EAM LLC’s subsidiary EULAV Securities, Inc. (“ESI”), provided distribution, marketing, and administrative services to the Value Line Funds. On December 23, 2010, the Company deconsolidated the asset management and mutual fund distribution subsidiaries and exchanged its controlling interest in these subsidiaries for a non-voting revenues interest and a non-voting profits interest in EULAV Asset Management Trust, a Delaware business statutory trust (“EAM” or “EAM Trust”), the successor to EAM LLC and the sole member of EULAV Securities LLC (“ES”), the successor to ESI, (the “Restructuring Transaction”). During fiscal 2011, VLI also recorded as post-employment compensation expense the value of a voting profits interest in EAM granted to one of the trustees of EAM, a former VLI employee. Pursuant to the EAM Declaration of Trust dated as of December 23, 2010 (the “EAM Trust Agreement”), VLI granted EAM the right to use the Value Line name for all existing Value Line Funds and agreed to supply, without charge or expense, the Value Line Proprietary Ranking System information to EAM for use in managing the Value Line Funds. The name “Value Line” as used to describe the Company, its products, and its subsidiaries, is a registered trademark of the Company.

Use of Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Principles of Consolidation:

The Company follows the guidance in the Financial Accounting Standards Board’s (“FASB”) Topic 810 “Consolidation” to determine if it should consolidate its investment in a variable interest entity (“VIE”). A VIE is a legal entity in which either (i) equity investors do not have sufficient equity investment at risk to enable the entity to finance its activities independently or (ii) the equity holders at risk lack the obligation to absorb losses, the right to receive residual returns or the right to make decisions about the entity’s activities that most significantly affect the entity’s economic performance. A holder of a variable interest in a VIE is required to consolidate the entity if it is determined that it has a controlling financial interest in the VIE and is therefore the primary beneficiary. The determination of a controlling financial interest in a VIE is based on a qualitative assessment to identify the variable interest holder, if any, that has (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance, and (ii) either the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. The accounting guidance requires the Company to perform an ongoing assessment of whether the Company is the primary beneficiary of a VIE and the Company has determined it is not the primary beneficiary of a VIE (see Note 5).

In accordance with FASB's Topic 810, the assets, liabilities, and results of operations of subsidiaries in which the Company has a controlling interest have been consolidated. All significant intercompany accounts and transactions have been eliminated in consolidation. On December 23, 2010, the Company completed the Restructuring Transaction and deconsolidated the related affiliates in accordance with FASB's Topic 810. As part of the Restructuring Transaction, the Company received a significant non-voting revenues interest (excluding distribution revenues) and a non-voting profits interest in the new entity, EAM. The Company relied on the guidance in FASB's ASC Topics 323 and 810 in its determination not to consolidate its investment in EAM and to account for such investment under the equity method of accounting. The Company reports the amount it receives for its non-voting revenues and non-voting profits interests as a separate line item below operating income in the Consolidated Statements of Income.

#### Revenue Recognition:

Depending upon the product, subscription fulfillment for Value Line periodicals and related publications is available in print or digitally, via internet access. The length of a subscription varies by product and offer received by the subscriber. Generally, subscriptions are offered as annual subscriptions. Subscription revenues, net of discounts, are recognized ratably on a straight line basis when the product is served to the client over the life of the subscription. Accordingly, the amount of subscription fees to be earned by fulfilling subscriptions after the date of the balance sheets are shown as unearned revenue within current and long term liabilities.

Copyright data revenues are derived from providing certain Value Line trademarks and the Value Line Proprietary Ranking System information to third parties under written agreements for use in selecting securities for third party marketed products, including unit investment trusts, annuities and exchange traded funds ("ETFs"). The Company earns asset-based copyright data fees as specified in the individual agreements. Revenue is recognized monthly over the term of the agreement and, because it is asset-based, will fluctuate as the market value of the underlying portfolio increases or decreases in value.

Value Line, Inc.  
Notes to Consolidated Financial Statements

Prior to the Restructuring Date, the Company earned investment management fees that consisted of management fees from the Value Line Funds and from asset management clients. Investment management fees for the Funds were earned on a monthly basis as services were performed. The fees were calculated based on the average daily net assets of the Funds in accordance with each Fund's advisory agreement (see Note 3 "Related Party Transactions").

The management fees and average daily net assets for the Value Line Funds are calculated by State Street Bank, which serves as the fund accountant, fund administrator, and custodian of the Value Line Funds.

The Value Line Funds are open-end management companies registered under the Investment Company Act of 1940 (the "1940 Act"). Shareholder transactions for the Value Line Funds are processed each business day by the third party transfer agent of the Funds. Shares can be redeemed without advance notice upon request of the shareowners each day that the New York Stock Exchange is open. Prior to December 1, 2010, EAM LLC, in addition to managing the Value Line Funds, separately managed accounts of institutions and high net worth individuals for which it was paid advisory fees. EAM had no separately managed accounts as of April 30, 2013 or April 30, 2012. Assets within the separately managed accounts were held at third party custodians and were subject to the terms of the applicable advisory agreements and did not have any advance notice requirement for withdrawals.

Also, prior to the Restructuring Date, service and distribution fees were received from the Value Line Funds in accordance with service and distribution plans under rule 12b-1 of the Investment Company Act of 1940. These plans are compensation plans, which means that the distributor's fees under these plans are payable without regard to actual expenses incurred by the distributor, and therefore the distributor may earn a profit under the plan. Expenses incurred by ESI, the distributor of the Value Line Funds prior to the Restructuring Date, included payments to securities dealers, banks, financial institutions and other organizations that provided distribution, marketing, and administrative services with respect to the Value Line Funds. Service and distribution fees are received by the distributor on a monthly basis and calculated based upon the average daily net assets of the respective Fund in accordance with each Fund's prospectus (see Note 3 "Related Party Transactions").

Investment in Unconsolidated Entities:

The Company accounts for its investment in its unconsolidated entity, EAM, using the equity method of accounting in accordance with FASB's ASC 323. The equity method is an appropriate means of recognizing increases or decreases measured by GAAP in the economic resources underlying the investments. Under the equity method, an investor recognizes its share of the earnings or losses of an investee in the periods for which they are reported by the investee in its financial statements rather than in the period in which an investee declares a dividend or distribution. An investor adjusts the carrying amount of an investment for its share of the earnings or losses recognized by the investee.

The Company's "interests" in EAM, the investment adviser to and the sole member of the distributor of the Value Line Funds, consist of a "non-voting revenues interest" and a "non-voting profits interest" in EAM as defined in the EAM Trust Agreement. The non-voting revenues interest entitles the Company to receive a range of 41% to 55%, based on the amount of EAM's adjusted gross revenues, excluding ES's distribution revenues ("Revenues Interest"). The non-voting profits interest entitles the Company to receive 50% of EAM's profits, subject to certain limited adjustments as defined in the EAM Trust Agreement ("Profits Interest"). The Revenues Interest and at least 90% of the Profits Interest are to be distributed each quarter to all interest holders of EAM, including Value Line. Subsequent to the Restructuring Date, the Company's Revenues Interest in EAM excludes participation in the service and distribution fees of EAM's

subsidiary ES. The Company reflects its non-voting revenues and non-voting profits interests in EAM as non-operating income under the equity method of accounting subsequent to the Restructuring Transaction. Although the Company does not have control over the operating and financial policies of EAM, pursuant to the EAM Trust Agreement, the Company has a contractual right to receive its share of EAM's revenues and profits.

Valuation of Securities:

The Company's securities classified as cash equivalents and available-for-sale consist of shares of money market funds that invest primarily in short-term U.S. Government securities, investments in ETFs, shares of equity securities in various publicly traded companies and bank certificates of deposits and are valued in accordance with the requirements of the Fair Value Measurements Topic of the FASB's ASC 820. The securities classified available-for-sale reflected in the Consolidated Balance Sheets are valued at market and unrealized gains and losses, net of applicable taxes, are reported as a separate component of shareholders' equity. Realized gains and losses on sales of the securities classified as available-for-sale are recorded in earnings as of the trade date and are determined on the identified cost method.

The Company classifies its securities available-for-sale as current assets to properly reflect its liquidity and to recognize the fact that it has liquid assets available-for-sale should the need arise.

Market valuations of securities listed on a securities exchange and ETF shares are based on the closing sales prices on the last business day of each month. The market value of the Company's fixed maturity U.S. Government debt securities is determined utilizing publicly quoted market prices. Cash equivalents consist of investments in money market funds that invest primarily in U.S. Government securities valued in accordance with rule 2a-7 under the 1940 Act.

## Value Line, Inc.

## Notes to Consolidated Financial Statements

The Fair Value Measurements Topic of FASB's ASC defines fair value as the price that the Company would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market for the investment. The Fair Value Measurements Topic established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the information that market participants would use in pricing the asset or liability, including assumptions about risk. Risks include those inherent in a particular valuation technique, such as the uncertainty inherent in the variables used by the valuation technique. Inputs are classified as observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 – quoted prices in active markets for identical investments

Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

The following summarizes the levels of fair value measurements of the Company's investments:

| (\$ in thousands)             | As of April<br>30, 2013 |         |         |           |
|-------------------------------|-------------------------|---------|---------|-----------|
|                               | Level 1                 | Level 2 | Level 3 | Total     |
| Cash equivalents              | \$ 6,312                | \$ -    | \$ -    | \$ 6,312  |
| Securities available-for-sale | 6,682                   | -       | -       | 6,682     |
|                               | \$ 12,994               | \$ -    | \$ -    | \$ 12,994 |
|                               | As of April<br>30, 2012 |         |         |           |
| (\$ in thousands)             | Level 1                 | Level 2 | Level 3 | Total     |
| Cash equivalents              | \$ 10,848               | \$ -    | \$ -    | \$ 10,848 |
| Securities available-for-sale | 3,881                   | -       | -       | 3,881     |
|                               | \$ 14,729               | \$ -    | \$ -    | \$ 14,729 |

The Company had no other financial instruments such as futures, forwards and swap contracts. For the periods ended April 30, 2013 and April 30, 2012, there were no Level 2 nor Level 3 investments. The Company does not have any



liabilities subject to fair value measurement.

Advertising expenses:

The Company expenses advertising costs as incurred.

Income Taxes:

The Company computes its income tax provision in accordance with the Income Tax Topic of the FASB's ASC. Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been reflected in the Consolidated Financial Statements. Deferred tax liabilities and assets are determined based on the differences between the book values and the tax bases of particular assets and liabilities, using tax rates currently in effect for the years in which the differences are expected to reverse.

The Income Tax Topic of the FASB's ASC establishes for all entities, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. As of April 30, 2013, management has reviewed the tax positions for the years still subject to tax audit under the statute of limitations, evaluated the implications, and determined that there is no material impact to the Company's financial statements.

Value Line, Inc.  
Notes to Consolidated Financial Statements

## Earnings per share:

Earnings per share are based on the weighted average number of shares of common stock and common stock equivalents outstanding during each period. Any shares that are reacquired during the period are weighted for the portion of the period that they are outstanding. The Company does not have any potentially dilutive common shares from outstanding stock options, warrants, restricted stock, or restricted stock units.

## Cash and Cash Equivalents:

For purposes of the Consolidated Statements of Cash Flows, the Company considers all cash held at banks and short term liquid investments with an original maturity of less than three months to be cash and cash equivalents. As of April 30, 2013 and April 30, 2012, cash equivalents included \$6,312,000 and \$10,848,000, respectively, for amounts invested in savings accounts at large commercial banks, held as bank certificates of deposits, and investments in money market mutual funds that invest in short term U.S. government securities.

## Expenses Related to Restructuring:

During fiscal 2011, the Company expensed all costs associated with the Restructuring Transaction as incurred (see Note 15 "Restructuring Expenses and Provision for Settlement"). In addition, the Company recorded as non-cash post-employment compensation expense the value of the voting profits interest in EAM granted to a former employee.

## Note 2-Supplementary Cash Flow Information:

| (\$ in thousands)                          | Fiscal Years Ended April |         |          |
|--|--------------------------|---------|----------|
|  | 2013                     | 2012    | 2011     |
| State and local income tax payments        | \$(120 )                 | \$(159) | \$(15 )  |
| Federal income tax payments to the Parent  | \$(1,877)                | \$(845) | \$(348 ) |
| Federal income tax refunds from the Parent | \$-                      | \$-     | \$1,598  |
| Interest payments                          | \$-                      | \$-     | \$(2 )   |

The Company also received \$1,598,000 of federal income tax refunds during the first quarter of fiscal 2011, which was included as prepaid and refundable income taxes in the Consolidated Balance Sheet of April 30, 2010.

On December 23, 2010, the Company completed the Restructuring Transaction which included the receipt of a non-voting revenues interest and a non-voting profits interest in EAM in exchange for VLI's voting shares in EAM LLC and ESI. This investment, classified as Investment in EAM Trust on the Consolidated Balance Sheets, was valued at \$55,805,000 as of December 23, 2010, which included \$5,484,000 of cash and \$1,516,000 of FDIC insured corporate notes, contributed by VLI to EAM as part of the Restructuring Transaction. The Company satisfied its non-cash post-employment compensation obligation, valued at \$1,770,000, by granting a voting profits interest in EAM to a former employee in connection with the Restructuring Transaction.

See Note 3-Related Party Transactions for tax amounts associated with Arnold Bernhard and Co., Inc. (“AB&Co.” or the “Parent”).

Note 3-Related Party Transactions:

Investment Management (overview):

On December 23, 2010, the Company deconsolidated its asset management and mutual fund distribution businesses and its interest in these businesses was restructured as a non-voting revenues and non-voting profits interests in EAM. Accordingly, the Company no longer reports this operation as a separate business segment, although it still maintains a significant interest in the cash flows generated by this business and will receive non-voting revenues and non-voting profits interests going forward, as discussed below.

Total assets in the Value Line Funds managed and/or distributed by EAM at April 30, 2013, were \$2.19 billion, which is \$73 million or 3.5% above total assets of \$2.11 billion in the Value Line Funds managed by EAM at April 30, 2012.

Total assets in the Value Line Funds managed by EAM at April 30, 2012, were \$2.11 billion, 5.9% below total assets of \$2.24 billion in the Value Line Funds managed by EAM at April 30, 2011. Overall assets in the Value Line Funds at April 30, 2012, decreased \$132 million since April 30, 2011, as a result of net redemptions within the Value Line Funds for the twelve months ended April 30, 2012.

During December 2011, the Value Line Convertible Fund merged into the Value Line Income and Growth Fund. The Value Line Convertible Fund had approximately \$20 million in assets under management before the merger. In May 2012, the Value Line New York Tax Exempt Trust (\$15 million) combined into the Value Line Tax Exempt Fund (\$90 million). The combination offers many benefits for fund shareholders.

During October 2012, the USGMMF merged into a third party fund, the Daily Income Fund, managed by Reich & Tang. EAM distributes the Daily Income Fund on behalf of Reich & Tang and maintains the shareholder accounts on behalf of the Value Line Funds shareholders who invest in the Daily Income Fund, but EAM is no longer subsidizing the expenses of the USGMMF resulting from the low interest rate economic environment. In addition, the merger of the USGMMF eliminated the cost of administration and fund accounting.

Value Line, Inc.  
Notes to Consolidated Financial Statements

During December 2012, the Value Line Aggressive Income Trust changed its investment strategy and changed its name to the Value Line Core Bond Fund. In doing so, the Value Line Funds now have a core bond fund offering that still meets the fundamental investment objectives of the Aggressive Income Trust, which is maximization of current income with a secondary objective of capital appreciation, yet have broader appeal and a larger pool of investors to attract assets. Such assets may include existing shareholders of other Value Line Funds as shareholders redeem equities.

During December 2012, the Value Line Emerging Opportunities Fund changed its name to Value Line Small Cap Opportunities Fund. By changing the name, the strategy of the fund and correct category is clearly defined for investors.

During March 2013, the Value Line U.S. Government Securities Fund merged into the Value Line Core Bond Fund. This created a core bond fund with \$100 million in assets, a critical threshold for many institutional money managers.

The non-voting revenues and 90% of the Company's non-voting profits interests due from EAM to the Company are payable each fiscal quarter under the provisions of the EAM Trust Agreement. The distributable amounts earned through the balance sheet date, which is included in the Investment in EAM Trust on the Consolidated Balance Sheets, and not yet paid, were \$1,621,000 and \$497,000 at April 30, 2013 and April 30, 2012, respectively.

EAM Trust - VLI's non-voting revenues and non-voting profits interests:

The Company holds non-voting revenues and non-voting profits interests in EAM which entitle the Company to receive from EAM an amount ranging from 41% to 55% of EAM's investment management fee revenues from its mutual fund and separate accounts business. EAM currently has no separately managed account clients. During the period from December 23, 2010 until May 28, 2011, EAM occupied a portion of the premises that the Company leases from a third party. The Company received \$44,000 for the month of May, 2011 for rent and certain accounting and other administrative support services provided to EAM during the transitional period. The Company recorded income from its non-voting revenues interest and its non-voting profits interests in EAM as follows:

| (\$ in thousands)                   | Fiscal Years Ended April 30, |          |          |
|-------------------------------------|------------------------------|----------|----------|
|                                     | 2013                         | 2012     | 2011     |
| Non-voting revenues interest in EAM | \$ 5,781                     | \$ 5,684 | \$ 2,187 |
| Non-voting profits interest in EAM  | 479                          | 206      | 168      |
|                                     | \$ 6,260                     | \$ 5,890 | \$ 2,355 |

Transactions with Parent:

For the fiscal years ended April 30, 2013, 2012 and 2011, the Company was reimbursed \$220,000, \$268,000, and \$356,000, respectively, for payments it made on behalf of and for services the Company provided to the Parent. There were no receivables due from the Parent at April 30, 2013 or April 30, 2012.

The Company is a party to a tax-sharing arrangement with the Parent which allocates the tax liabilities of the two Companies between them. For the years ended April 30, 2013, 2012, and 2011, the Company made payments to the Parent for federal income tax amounting to \$1,877,000, \$845,000, and \$348,000, respectively. At April 30, 2013 and April 30, 2012, prepaid and refundable income taxes in the Consolidated Balance Sheets included \$0 and \$530,000, respectively, for prepaid federal income tax due from the Parent.

From time to time, the Parent has purchased additional shares of common stock of the Company in the market when and as the Parent has determined it to be appropriate. The Parent may make additional purchases of common stock of the Company from time to time in the future. As of April 30, 2013, the Parent owned approximately 87.4% of the outstanding shares of common stock of the Company.

Note 4-Investments:

Securities Available-for-Sale:

Investments held by the Company and its subsidiaries are classified as securities available-for-sale in accordance with FASB's ASC 320, Investments - Debt and Equity Securities. All of the Company's securities classified as available-for-sale were readily marketable or had a maturity of twelve months or less and are classified as current assets on the Consolidated Balance Sheets.

## Value Line, Inc.

## Notes to Consolidated Financial Statements

## Equity Securities:

Equity securities classified as available-for-sale, consist of investments in common stocks, ETFs that attempt to replicate the performance of certain equity indexes, ETFs that attempt to replicate the inverse of the price performance of certain equity indexes and ETFs that hold preferred shares primarily of financial institutions. As of April 30, 2013 and April 30, 2012, the Company held equity securities consisting primarily of ETFs and select common stock holdings of blue chip companies with a concentration on large capitalization companies with high relative dividend yields, all classified as securities available-for-sale on the Consolidated Balance Sheets. Additionally, as of April 30, 2013 and April 30, 2012, the Company held non-leveraged ETFs, classified as securities available-for-sale, whose performance inversely corresponds to the market value changes of investments in other ETF securities held in the equity portfolio for dividend yield.

As of April 30, 2013 and April 30, 2012, the aggregate cost of the equity securities classified as available-for-sale, which consist of investments in the iShares Dow Jones Select Dividend Index (DVY), SPDR S&P Dividend (SDY), First Trust Value Line Dividend Index (FVD), PowerShares Financial Preferred (PGF), certain common shares of equity securities and inverse equity index ETFs, was \$6,295,000 and \$3,749,000, respectively, and the fair value was \$6,682,000 and \$3,881,000, respectively. There were no sales or proceeds from sales of equity securities during the fiscal year ended April 30, 2013. The increases in gross unrealized gains on equity securities classified as available-for-sale of \$255,000, net of deferred taxes of \$89,000, were included in Shareholders' Equity at April 30, 2013.

Proceeds from sales of equity securities classified as available-for-sale during the twelve months ended April 30, 2012 were \$89,000 and the related capital gains of \$11,000 were reclassified from Accumulated Other Comprehensive Income in the Balance Sheet to the Consolidated Statement of Income. There were no sales or proceeds from sales of equity securities during the fiscal year ended April 30, 2011. The increases in gross unrealized gains on equity securities classified as available-for-sale due to changes in market conditions of \$24,000 and \$106,000, net of deferred taxes of \$9,000 and \$37,000, respectively, were included in Shareholders' Equity at April 30, 2012 and 2011, respectively.

The carrying value and fair value of securities available-for-sale at April 30, 2013 were as follows:

| (\$ in thousands)       | Cost     | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair Value |
|-------------------------|----------|------------------------------|-------------------------------|------------|
| Common stocks           | \$ 103   | \$ 27                        | \$ (16 )                      | \$ 114     |
| ETFs - equities         | 3,878    | 740                          | -                             | 4,618      |
| Inverse ETFs - equities | 2,314    | -                            | (364 )                        | 1,950      |
|                         | \$ 6,295 | \$ 767                       | \$ (380 )                     | \$ 6,682   |

The carrying value and fair value of securities available-for-sale at April 30, 2012 were as follows:

| (\$ in thousands) | Cost | Gross | Gross | Fair Value |
|-------------------|------|-------|-------|------------|
|-------------------|------|-------|-------|------------|

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|                         |          | Unrealized<br>Gains | Unrealized<br>Losses |          |
|-------------------------|----------|---------------------|----------------------|----------|
| Common stocks           | \$ 103   | \$ 14               | \$ (5 )              | \$ 112   |
| ETFs - equities         | 2,257    | 201                 | (5 )                 | 2,453    |
| Inverse ETFs - equities | 1,389    | -                   | (73 )                | 1,316    |
|                         | \$ 3,749 | \$ 215              | \$ (83 )             | \$ 3,881 |

Government Debt Securities (Fixed Income Securities):

Fixed income securities consist of government debt securities issued by the United States federal government. There were no fixed income securities as of April 30, 2013 or April 30, 2012.

During the twelve months ended April 30, 2012 and April 30, 2011, proceeds from maturities and sales of government debt securities classified as available-for-sale were \$11,196,000 and \$38,021,000, respectively. During fiscal years 2012 and 2011, losses on sales of fixed income securities of \$22,000 and \$68,000, respectively, were reclassified from Accumulated Other Comprehensive Income in the Consolidated Balance Sheets to the Consolidated Statements of Income.

## Value Line, Inc.

## Notes to Consolidated Financial Statements

Income from securities transactions was comprised of the following:

| (\$ in thousands)   | Fiscal Years Ended April 30, |       |       |
|---|------------------------------|-------|-------|
|   | 2013                         | 2012  | 2011  |
| Dividend income   | \$ 124                       | \$ 68 | \$ 16 |
| Interest income (1)   | 4                            | 16    | 118   |
| Realized and unrealized gains (losses) on securities available-for-sale (2) | -                            | (11 ) | (63 ) |
| Interest expense  | -                            | -     | (2 )  |
| Other   | (2 )                         | (3 )  | (4 )  |
| Total income from securities transactions, net                              | \$ 126                       | \$ 70 | \$ 65 |

(1) Interest income was recorded net of bond premium amortization of \$14,000 during fiscal year 2011.

(2) These amounts were reclassified from Accumulated Other Comprehensive Income in the Consolidated Balance Sheets to the Consolidated Statements of Income.

The changes in the value of equity and fixed income securities investments are recorded in Other Comprehensive Income in the Consolidated Financial Statements. Realized gains and losses are recorded on the trade date in the Consolidated Statements of Income when securities are sold, mature or are redeemed. As of April 30, 2013 and April 30, 2012, gross unrealized gains of \$387,000 and \$131,000, net of deferred taxes of \$136,000 and \$46,000, respectively, are recorded in Accumulated Other Comprehensive Income in the Consolidated Balance Sheets.

***Investment in Unconsolidated Entities:***

**Equity Method Investment:**

As of April 30, 2013 and April 30, 2012, the Company's investment in EAM Trust, on the Consolidated Balance Sheets was \$57,511,000 and \$56,331,000, respectively.

The value of VLI's investment in EAM at April 30, 2013 and April 30, 2012 reflects the fair value of contributed capital of \$55,805,000 at inception, plus \$5,820,000 of cash and liquid securities in excess of working capital requirements contributed to EAM's capital account by VLI, plus VLI's share of non-voting revenues and non-voting profits from EAM less distributions, made quarterly to VLI by EAM, during the period subsequent to its initial investment through the dates of the Consolidated Balance Sheets.

It is anticipated that EAM will have sufficient liquidity and earn enough profit to conduct its current and future operations so the management of EAM will not need additional funding. Although the distributor had historically received, from the Value Line Funds under the compensation plans it had in place with the Funds, amounts in excess of its actual expenditures, in more recent years the distributor has been spending amounts on promotion of the Value Line Funds in excess of the compensation received from the Funds. Over time, EAM anticipates that its total future expenditures on such promotion will equal or exceed its total future revenues under the Funds' distribution plans. However, if that should not occur, EAM has no obligation to reimburse the Value Line Funds.



The Company monitors its Investment in EAM Trust for impairment to determine whether an event or change in circumstances has occurred that may have a significant adverse effect on the fair value of the investment. Impairment indicators include, but are not limited to the following: (a) a significant deterioration in the earnings performance, asset quality, or business prospects of the investee, (b) a significant adverse change in the regulatory, economic, or technological environment of the investee, (c) a significant adverse change in the general market condition of the industry in which the investee operates, or (d) factors that raise significant concerns about the investee's ability to continue as a going concern such as negative cash flows, working capital deficiencies, or noncompliance with statutory capital and regulatory requirements. EAM did not record any impairment losses for its assets during the fiscal years 2013 or 2012.

## Value Line, Inc.

## Notes to Consolidated Financial Statements

The components of EAM's investment management operations, provided to the Company by EAM, were as follows:

| (\$ in thousands)   | Fiscal Years Ended April 30, |           |          |
|---|------------------------------|-----------|----------|
|   | 2013                         | 2012      | 2011 (1) |
| Investment management fees earned from the Value Line Funds, net of waivers shown below | \$ 12,773                    | \$ 12,465 | \$ 4,592 |
| 12b-1 fees and other fees, net of waivers shown below                                   | \$ 3,905                     | \$ 3,466  | \$ 1,293 |
| Other income  | \$ 14                        | \$ 12     | \$ 3     |
| Investment management fee waivers and reimbursements (2)                                | \$ 379                       | \$ 806    | \$ 303   |
| 12b-1 fee waivers (2)   | \$ 2,156                     | \$ 2,257  | \$ 855   |
| Value Line's non-voting revenues interest   | \$ 5,781                     | \$ 5,684  | \$ 2,187 |
| EAM's net income (3)  | \$ 945                       | \$ 461    | \$ 336   |

(1) Total results of EAM's investment management operations was for the period from December 23, 2010 through April 30, 2011.

(2) During fiscal 2013 investment management fee waivers and reimbursements primarily related to the Value Line Core Bond Fund and the U.S. Government Money Market Fund ("USGMMF") which was merged into a third party fund, the Daily Income Fund, managed by Reich & Tang, effective October 19, 2012. The 12b-1 fee waivers related to nine of the Value Line Mutual Funds. In fiscal 2012, investment management fee waivers and reimbursements primarily related to the USGMMF and the 12b-1 fee waivers related to eleven of the Value Line Mutual Funds.

(3) Represents EAM's net income, after giving effect to Value Line's non-voting revenues interest, but before distributions to voting profits interest holders and to the Company in respect of its 50% non-voting profits interest.

| (\$ in thousands)       | Fiscal Years Ended April 30, |           |
|-------------------------|------------------------------|-----------|
|                         | 2013                         | 2012      |
| EAM's total assets      | \$ 59,349                    | \$ 57,482 |
| EAM's total liabilities |                              |           |
| (1)                     | (2,814 )                     | (663 )    |
| EAM's total equity      | \$ 56,535                    | \$ 56,819 |

(1) At April 30, 2013, EAM's total liabilities included a payable to VLI for its accrued non-voting revenues and non-voting profits interests of \$1,621,000.

## Note 5: Variable Interest Entity

The Company retained a non-voting revenues interest and a 50% non-voting profits interest in EAM, which was formed, as a result of the Restructuring Transaction on December 23, 2010, to carry on the asset management and mutual fund distribution businesses formerly conducted by the Company. EAM is considered to be a VIE. The Company makes its determination for consolidation of EAM as a VIE based on a qualitative assessment of the purpose and design of EAM, the terms and characteristics of the variable interests in EAM, and the risks EAM is

designed to originate and pass through to holders of variable interests. Other than EAM, the Company does not have an interest in any other VIEs.

The Company has determined that it does not have a controlling financial interest in EAM because it does not have the power to direct the activities of EAM that most significantly impact its economic performance. Value Line does not hold any voting stock of EAM and it does not have any involvement in the day-to-day activities or operations of EAM. Although the EAM Trust Agreement provides Value Line with certain consent rights and contains certain restrictive covenants related to the activities of EAM, these are considered to be protective rights and therefore Value Line does not maintain control over EAM.

In addition, although EAM is expected to be profitable, there is a risk that it could operate at a loss. While all of the profit interest shareholders in EAM are subject to variability based on EAM's operations risk, Value Line's non-voting revenues interest in EAM is a preferred interest in the revenues of EAM, rather than a profits interest in EAM, and Value Line accordingly believes it is subject to proportionately less risk than other holders of the profits interests.

The Company has not provided any explicit or implicit financial or other support to EAM other than what was contractually agreed to in the EAM Trust Agreement. Value Line has no obligation to fund EAM in the future and, as a result, has no exposure to loss beyond its initial investment and any undistributed revenues and profits interests retained in EAM. The following table presents the total assets of EAM, the maximum exposure to loss due to involvement with EAM, as well as the value of the assets and liabilities the Company has recorded on its Consolidated Balance Sheets for its interest in EAM.

## Value Line, Inc.

## Notes to Consolidated Financial Statements

| (\$ in thousands)    | VIE Assets | Investment<br>in<br>EAM Trust<br>(1) | Value Line  |                                |
|----------------------|------------|--------------------------------------|-------------|--------------------------------|
|                      |            |                                      | Liabilities | Maximum<br>Exposure to<br>Loss |
| As of April 30, 2013 | \$ 59,349  | \$ 57,511                            | \$ -        | \$ 57,511                      |
| As of April 30, 2012 | \$ 57,482  | \$ 56,331                            | \$ -        | \$ 56,331                      |

(1) Reported within Long Term Assets on Consolidated Balance Sheets.

## Note 6-Property and Equipment:

Property and equipment are carried at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets, or in the case of leasehold improvements, over the remaining terms of the leases. For income tax purposes, depreciation of furniture and equipment is computed using accelerated methods and buildings and leasehold improvements are depreciated over prescribed extended tax lives. Property and equipment, net, on the Consolidated Sheets was comprised of the following:

| (\$ in thousands)                            | As of April 30, |          |
|--|-----------------|----------|
|  | 2013            | 2012     |
| Land   | \$ 726          | \$ 726   |
| Building and leasehold improvements          | 7,391           | 7,283    |
| Furniture and equipment                      | 11,180          | 10,955   |
|  | 19,297          | 18,964   |
| Accumulated depreciation and<br>amortization | (15,367)        | (15,110) |
| Total property and equipment, net            | \$ 3,930        | \$ 3,854 |

## Note 7-Federal, State and Local Income Taxes:

In accordance with the requirements of the Income Tax Topic of the FASB's ASC, the Company's provision for income taxes includes the following:

| (\$ in thousands)                 | Fiscal Years Ended April 30, |        |        |
|-----------------------------------|------------------------------|--------|--------|
|                                   | 2013                         | 2012   | 2011   |
| Current tax expense<br>(benefit): |                              |        |        |
| Federal                           | \$ 2,679                     | \$ 139 | \$ 356 |
| State and local                   | 130                          | (54 )  | (413 ) |
|                                   | 2,809                        | 85     | (57 )  |
| Deferred tax expense:             |                              |        |        |
| Federal                           | 728                          | 3,785  | 20,535 |
| State and local                   | 350                          | 503    | 3,203  |

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|                       |          |          |           |
|-----------------------|----------|----------|-----------|
|                       | 1,078    | 4,288    | 23,738    |
| Income tax provision: | \$ 3,887 | \$ 4,373 | \$ 23,681 |

Deferred income taxes are provided for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The tax effect of temporary differences giving rise to the Company's deferred tax asset and deferred tax liability are as follows:

| (\$ in thousands)                                    | As of April 30, |        |
|--|-----------------|--------|
|  | 2013            | 2012   |
| Federal tax benefit (liability):                     |                 |        |
| Net operating loss                                   | \$ -            | \$ 126 |
| Unrealized gains on securities<br>available-for-sale | (136 )          | (46 )  |
| Operating lease exit obligation                      | 13              | 153    |
| Deferred professional fees                           | 49              | 80     |
| Deferred charges                                     | 265             | 76     |
| Total federal tax benefit                            | 191             | 389    |
| State and local tax benefits:                        |                 |        |
| Net operating loss                                   | -               | 15     |
| Other  | 36              | 38     |
| Total state and local tax benefits                   | 36              | 53     |
| Deferred tax asset, short term                       | \$ 227          | \$ 442 |

Value Line, Inc.  
Notes to Consolidated Financial Statements

| (\$ in thousands)                              | As of April 30, |           |
|--|-----------------|-----------|
|  | 2013            | 2012      |
| Federal tax liability (benefit):               |                 |           |
| Deferred gain on deconsolidation of EAM        | \$ 17,679       | \$ 17,679 |
| Deferred non-cash post-employment compensation | (619 )          | (619 )    |
| Depreciation and amortization                  | 1,642           | 1,032     |
| Other  | 262             | 120       |
| Total federal tax liability                    | 18,964          | 18,212    |
| State and local tax liabilities (benefits):    |                 |           |
| Deferred gain on deconsolidation of EAM        | 2,243           | 2,182     |
| Deferred non-cash post-employment compensation | (79 )           | (76 )     |
| Depreciation and amortization                  | 208             | 127       |
| Deferred professional fees                     | (10 )           | (21 )     |
| Total state and local tax liabilities          | 2,362           | 2,212     |
| Deferred tax liability, long term              | \$ 21,326       | \$ 20,424 |

The Company's net operating loss carryforward from fiscal 2012 of approximately \$360,000 was fully utilized during the twelve months ended April 30, 2013.

The Company's net operating loss carryforward of approximately \$7.3 million was mostly utilized during the twelve months ended April 30, 2012. The tax effect of temporary differences giving rise to the Company's long term deferred tax liability is primarily a result of the federal, state, and local taxes related to the \$50,510,000 gain from deconsolidation of the Company's asset management and mutual fund distribution subsidiaries, partially offset by the long term tax benefit related to the non-cash post-employment compensation of \$1,770,000 granted to VLI's former employee and the tax benefits related to the Company's exit lease obligation of \$914,000 all recognized in fiscal 2011.

The Company uses the effective income tax rate determined to provide for income taxes on a year-to-date basis and reflects the tax effect of any tax law changes and certain other discrete events in the period in which they occur.

The overall effective income tax rates, as a percentage of pre-tax ordinary income for the twelve months ended April 30, 2013, 2012 and 2011 were 37.0%, 38.71% and 38.53%, respectively. The annual effective tax rate will change due to a number of factors including but not limited to an increase or decrease in the ratio of items that do not have tax consequences to pre-tax income, the Company's geographic profit mix between tax jurisdictions, new tax laws, new interpretations of existing tax laws and rulings and settlements with tax authorities. The fluctuation in the effective income tax rate during fiscal 2013 is attributable to a higher percentage of income subject to state and local taxes offset by the recognition of the domestic production tax credits and an increase in the dividends received deduction during the current fiscal year. The change in the effective income tax rate in fiscal 2012 is attributable to the alternative minimum tax on the limitation to the Company's net operating loss carryforward in fiscal years 2012 and 2011, and a slight decrease in state and local tax rate for fiscal 2012 primarily from EAM's geographical income allocation.

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The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory income tax rate to pretax income as a result of the following:

|   | Fiscal Years Ended April 30, |   |       |   |       |   |
|---|------------------------------|---|-------|---|-------|---|
|   | 2013                         |   | 2012  |   | 2011  |   |
| U.S. statutory federal rate                                     | 35.00                        | % | 35.00 | % | 35.00 | % |
| Increase (decrease) in tax rate from:                           |                              |   |       |   |       |   |
| State and local income taxes, net of federal income tax benefit | 2.96                         | % | 2.58  | % | 2.95  | % |
| Effect of dividends received deductions                         | -0.27                        | % | -     |   | -     |   |
| Alternative minimum tax - net operating loss limitation         | -                            |   | 1.23  | % | 0.58  | % |
| Domestic production tax credit                                  | -0.52                        | % | -     |   | -     |   |
| Other, net  | -0.17                        | % | -0.10 | % | -     |   |
| Effective income tax rate                                       | 37.00                        | % | 38.71 | % | 38.53 | % |

The Company believes that, as of April 30, 2013, there were no material uncertain tax positions that would require disclosure under GAAP.

The Company is included in the consolidated federal income tax return of the Parent. The Company has a tax sharing agreement which requires it to make tax payments to the Parent equal to the Company's liability/(benefit) as if it filed a separate return.

The Company's federal income tax returns (included in the Parent's consolidated returns) and state and city tax returns for fiscal years 2009, 2010, and 2011 are subject to examination by the tax authorities, generally for three years after they were filed with the tax authorities. In February 2012, the Internal Revenue Service ("IRS") has concluded its examination of the Company's federal income tax returns through the fiscal year 2010, which resulted in no changes that had any adverse effect on the Company's financial statements. The Company's tax returns for the fiscal years ended April 30, 2010 and 2011 are being examined by the City of New York. The Company does not expect the audit examination to have a material effect on its financial statements.

Value Line, Inc.  
Notes to Consolidated Financial Statements

Note 8-Employees' Profit Sharing and Savings Plan:

Substantially all employees of the Company and its subsidiaries are members of the Value Line, Inc. Profit Sharing and Savings Plan (the "Plan"). In general, this is a qualified, contributory plan which provides for a discretionary annual Company contribution which is determined by a formula based on the salaries of eligible employees and the amount of consolidated net operating income as defined in the Plan. For the fiscal years ended April 30, 2013, 2012, and 2011, the estimated profit sharing plan contribution, which is included as an expense in salaries and employee benefits in the Consolidated Statements of Income, was \$240,000, \$447,000 and \$500,000, respectively.

Note 9-Lease Commitments:

On June 4, 1993, the Company entered into a 15 year lease agreement to provide primary office space. The lease included free rental periods as well as scheduled base rent escalations over the term of the lease. In April 2007, the Company extended the term for 5 additional years at a market rental rate to May 2013. The total amount of the base rent payments is being charged to expense on the straight-line method over the term of the lease. The Company recorded a deferred charge on its Consolidated Balance Sheets to reflect the excess of annual rental expense over cash payments since inception of the lease.

On February 7, 2013, the Company and Citibank, N.A. (the "Sublandlord") entered into a sublease agreement, pursuant to which Value Line will lease approximately 44,493 square feet of office space located on the ninth floor at 485 Lexington Ave., New York, NY ("Building" or "Premises") beginning on or about July 1, 2013 and ending on February 27, 2017 ("Sublease"). Base rent under the Sublease will be \$1,468,269 per annum, subject to customary concessions in the Company's favor and pass-through of certain increases in operating costs and real estate taxes. The Company provided a security deposit in cash in the amount of \$489,423. This Building will become the Company's new corporate office facility. The Company is required to pay for certain operating expenses associated with the Premises as well as utilities supplied to the Premises. The Sublease terms will provide for a significant decrease in the Company's annual rental expenses.

Value Line reached an agreement with its current landlord to extend the term of the current lease for its current corporate office facility, which was due to expire on May 31, 2013, for a period of three and a half months beginning June 1, 2013 and expiring September 15, 2013 ("Lease Modification") at a rental which approximates the Company's monthly rent payments under the current lease obligation.

Future minimum payments, exclusive of potential increases in real estate taxes and operating cost escalations, under operating leases for office space, with remaining terms of one year or more, are as follows:

| Fiscal Years Ending April<br>30, | Current<br>Lease | New Sublease<br>(\$ in<br>thousands) | Total    |
|----------------------------------|------------------|--------------------------------------|----------|
| 2014                             | \$ 1,326         | \$ 490                               | \$ 1,816 |
| 2015                             | -                | 1,468                                | 1,468    |
| 2016                             | -                | 1,468                                | 1,468    |



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|      |          |          |          |
|------|----------|----------|----------|
| 2017 | -        | 1,224    | 1,224    |
|      | \$ 1,326 | \$ 4,650 | \$ 5,976 |

Rental expense for the years ended April 30, 2013, 2012, and 2011 under the current operating lease covering office space was \$2,509,000, \$2,509,000, and \$3,862,000, respectively. During fiscal years of 2013 and 2012, office space rental decreased as a result of the classification of a portion of the lease payments as a reduction of the accrued lease exit obligation related to EAM's relocation in fiscal 2011. The increase in fiscal 2011 rent expenses was a result of an accrual of \$914,000 for operating lease exit costs related to the deconsolidation of EAM from the operating facility of the Company. As of April 30, 2013 and 2012, the remaining lease exit obligation related to EAM's relocation was \$37,000 and \$475,000, respectively. For the fiscal year ended April 30, 2011, \$914,000 of the accrued lease exit obligation related to EAM's relocation, was included as an expense in office and administration in the Consolidated Statements of Income.

Note 10-Business Segments:

Prior to December 23, 2010, (the Restructuring Transaction date), the Company operated two reportable business segments: (1) Publishing and (2) Investment Management. The Publishing segment, the Company's only reportable segment subsequent to the Restructuring Transaction date, produces investment periodicals and related publications (retail and institutional) in both print and electronic form, and includes copyright data fees for the Value Line Proprietary Ranking System information and other proprietary information. The Investment Management segment provided advisory services to the Value Line Funds, as well as institutional and individual accounts. The segments were differentiated by the products and services they offered. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

As more fully described in Note 1 - Organization and Summary of Significant Accounting Policies, the Company deconsolidated its investment management business on December 23, 2010 and therefore no longer reports the investment management operation as a separate business unit. Although VLI continues to receive significant cash flows from these operations through its non-controlling investment in EAM, it no longer considers this to be a reportable business segment due to its lack of control over the operating and financial policies of EAM. Accordingly, the Investment Management segment reflects activity only through the date of the Restructuring Transaction.

## Value Line, Inc.

## Notes to Consolidated Financial Statements

Disclosure of reportable segment information for the twelve months ended April 30, 2011 was as follows:

| (\$ in thousands)   | Publishing | Investment<br>Management | Consolidated<br>Total |
|---|------------|--------------------------|-----------------------|
| Revenues from external customers                                | \$ 37,974  | \$ 10,693                | \$ 48,667             |
| Intersegment revenues   | 7          | -                        | 7                     |
| Total revenues for reportable segments                          | 37,981     | 10,693                   | 48,674                |
| Elimination of intersegment revenues                            | (7 )       | -                        | (7 )                  |
| Total consolidated revenues                                     | \$ 37,974  | \$ 10,693                | \$ 48,667             |
| Depreciation and amortization                                   | \$ 579     | \$ 14                    | \$ 593                |
| Depreciation related to corporate assets                        | \$ (3 )    | -                        | \$ (3 )               |
| Gain from deconsolidation of subsidiaries (1)                   | \$ -       | \$ 50,510                | \$ 50,510             |
| Income from securities transactions                             | -          | 6                        | 6                     |
| Segment profit (loss) from operations (2)                       | 8,984      | (448 )                   | 8,536                 |
| Profit for reportable segments                                  | \$ 8,984   | \$ 50,068                | \$ 59,052             |
| Revenues and profits interests in EAM Trust                     |            |                          | 2,355                 |
| Income from securities transactions related to corporate assets |            |                          | 59                    |
| Depreciation related to corporate assets                        |            |                          | (3 )                  |
| Income before income taxes                                      |            |                          | \$ 61,463             |

(1) Represents the gain of \$50,510,000 from deconsolidation of the asset management and Value Line Mutual Fund Distribution subsidiaries.

(2) Included in the Investment Management business segment in fiscal 2011 are expenses of \$3,764,000 related to the Company's restructure of its Investment Management business segment, \$914,000 of expenses related to its exit lease obligation for the office space previously occupied by EAM LLC, and non-cash post-employment compensation

expense of \$1,770,000 related to the value of the voting profits interest in EAM granted by VLI to a former employee of the Company who is presently the CEO of EAM. Fiscal 2011 Investment Management segment expenses included the reversal of \$1,767,000 of previously recorded expenses associated with the Provision for Settlement due to a change in estimated costs to administer the Fair Fund.

As of April 30, 2011, additional reportable segment information was as follows:

| (\$ in thousands)     | Expenditures<br>for Segment |          |
|-----------------------|-----------------------------|----------|
|                       | Assets                      | Assets   |
| Publishing            | \$ 11,827                   | \$ 1,897 |
| Investment Management | -                           | 10       |
| Corporate assets      | 75,976                      | -        |
| Consolidated total    | \$ 87,803                   | \$ 1,907 |

Note 11-Disclosure of Credit Risk of Financial Instruments with Off-Balance Sheet Risk:

Other than EAM and the Value Line Funds as explained in Note 3-Related Party Transactions, no single customer accounted for a significant portion of the Company's sales in fiscal 2013, 2012, or 2011, nor its accounts receivable as of April 30, 2013 or 2012.

Note 12-Comprehensive Income:

The FASB's ASC Comprehensive Income topic requires the reporting of comprehensive income in addition to net income from operations. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that otherwise would not be recognized in the calculation of net income.

In May 2012, the Company adopted the provisions of Accounting Standards Update 2011-05 to reflect comprehensive income in two statements which include the components of net income and total net income in the first statement, immediately followed by a financial statement that presents the components of other comprehensive income, a total for other comprehensive income and a total for comprehensive income.

As of April 30, 2013, and April 30, 2012, the Company held equity securities consisting primarily of ETFs and select common stock holdings of blue chip companies with a concentration on large capitalization companies with high relative dividend yields that are classified as securities available-for-sale on the Consolidated Balance Sheets. Additionally, as of April 30, 2013, and April 30, 2012, the Company held non-leveraged ETFs, classified as securities available-for-sale, whose performance inversely corresponds to the market value changes of investments in other ETF securities held in the equity portfolio for dividend yield. The change in valuation of these securities, net of deferred income taxes, has been recorded in accumulated other comprehensive income in the Company's Consolidated Balance Sheets.

## Value Line, Inc.

## Notes to Consolidated Financial Statements

The components of comprehensive income that are included in the Consolidated Statement of Changes in Shareholders' Equity for the twelve months ending April 30, 2013 are as follows:

| (\$ in thousands)                        | Amount<br>Before Tax | Tax<br>Expense | Tax<br>Benefit | Amount<br>Net of<br>Tax |
|--|----------------------|----------------|----------------|-------------------------|
| Change in unrealized gains on securities | \$ 255               | \$ (195 )      | \$ 106         | \$ 166                  |
|  | \$ 255               | \$ (195 )      | \$ 106         | \$ 166                  |

The components of comprehensive income that are included in the Consolidated Statement of Changes in Shareholders' Equity for the twelve months ending April 30, 2012 are as follows:

| (\$ in thousands)                        | Amount Before<br>Tax | Tax<br>Expense | Tax Benefit | Amount Net<br>of<br>Tax |
|--|----------------------|----------------|-------------|-------------------------|
| Change in unrealized gains on securities | \$ 24                | \$ (33 )       | \$ 24       | \$ 15                   |
| Add: Losses realized in net income       | 11                   | (4 )           | -           | 7                       |
|  | \$ 35                | \$ (37 )       | \$ 24       | \$ 22                   |

The components of comprehensive income that are included in the Consolidated Statement of Changes in Shareholders' Equity for the twelve months ending April 30, 2011 are as follows:

| (\$ in thousands)                        | Amount Before<br>Tax | Tax<br>Expense | Tax Benefit | Amount Net<br>of<br>Tax |
|--|----------------------|----------------|-------------|-------------------------|
| Change in unrealized gains on securities | \$ 32                | \$ (14 )       | \$ 3        | \$ 21                   |
| Add: Losses realized in net income       | 68                   | (24 )          | -           | 44                      |
|  | \$ 100               | \$ (38 )       | \$ 3        | \$ 65                   |

At April 30, 2011, the Company held both equity and U.S. Government debt securities that are classified as available-for-sale on the Consolidated Balance Sheets. The change in valuation of these securities, net of deferred income taxes, has been recorded in Accumulated Other Comprehensive Income in the Company's Consolidated Balance Sheets.

Note 13-Accounting for the Costs of Computer Software Developed for Internal Use:

The Company has adopted the provisions of the Statement of Position 98-1 (SOP 98-1), "Accounting for the Costs of Computer Software Developed for Internal Use". SOP 98-1 requires companies to capitalize as long-lived assets many of the costs associated with developing or obtaining software for internal use and amortize those costs over the

software's estimated useful life in a systematic and rational manner.

The Company capitalized \$2,457,000 and \$3,383,000 related to the development of software for internal use for the twelve months ended April 30, 2013 and 2012, respectively, of which \$2,326,000 and \$2,153,000 related to development costs for the digital production software project and \$131,000 and \$1,230,000 related to a new fulfillment system, respectively. Such costs are capitalized and amortized over the expected useful life of the asset which is approximately from 3 to 5 years. Amortization expense for the years ended April 30, 2013, 2012, and 2011 was \$1,295,000, \$446,000, and \$332,000, respectively.

The new fulfillment system was placed in service on December 1, 2011. The Company's refreshed website, Single Sign On ("SSO") and new e-commerce and website shopping cart were also placed in service during December 2011. A new institutional sales website ValueLinePro.com was launched by the Company during March 2012.

#### Note 14 - Treasury Stock and Repurchase Program:

On September 19, 2012, the Company's Board of Directors approved a new share repurchase program, authorizing the repurchase of shares of the Company's common stock up to an aggregate purchase price of \$3,000,000. The repurchases will be made from time to time on the open market at prevailing market prices, in negotiated transactions off the market, in block purchases or otherwise. The new repurchase program may be suspended or discontinued at any time at the Company's discretion and has no set expiration date.

On January 20, 2011, the Company's Board of Directors approved the repurchase of shares of the Company's common stock, at such times and prices as management determined to be advisable up to an aggregate purchase amount of \$3,200,000. The repurchase program expired on January 15, 2012 and was not renewed by the Company's Board of Directors.

## Value Line, Inc.

## Notes to Consolidated Financial Statements

Treasury stock, at cost, consists of the following:

| (\$ in thousands except<br>for cost per share) | Shares  | Total<br>Average<br>Cost<br>Assigned | Average<br>Cost per<br>Share | Aggregate Purchase<br>Price<br>Remaining Under the<br>Program |
|--|---------|--------------------------------------|------------------------------|---|
| Balance as of April 30,<br>2010 (1)            | 18,400  | \$ 354                               | \$ 19.24                     | n/a   |
| Purchases effected in<br>open market           | 6,719   | 90                                   | \$ 13.39                     | \$ 3,110  |
| Balance as of April 30,<br>2011                | 25,119  | \$ 444                               | \$ 17.67                     | \$ 3,110  |
| Purchases effected in<br>open market           | 78,500  | 946                                  | \$ 12.05                     | \$ 2,165  |
| Balance as of April 30,<br>2012 (2)            | 103,619 | \$ 1,390                             | \$ 13.41                     | \$ -  |
| Purchases effected in<br>open market (3)       | 19,953  | 182                                  | \$ 9.13                      | \$ 2,818  |
| Balance as of April 30,<br>2013                | 123,572 | \$ 1,572                             | \$ 12.72                     | \$ 2,818  |

(1) Were acquired prior to the repurchase program authorized in January 2011.

(2) Includes 85,219 shares with a total average cost of \$1,036,000 that were acquired during the former repurchase program, which was authorized in January 2011 and expired in January 2012.

(3) Were acquired during the new repurchase program authorized in September 2012.

Note 15- Restructuring Expenses and Provision for Settlement:

In fiscal 2011, expenses for professional fees including the cost of the proxy solicitation for the Value Line Funds, of \$3,764,000 were associated with the Restructuring Transaction that was completed on December 23, 2010. The Company's policy was to expense those costs as incurred.

In November 2009, the Company concluded a negotiated settlement with the SEC as a result of an investigation into former brokerage practices (the "Settlement"). To comply with the SEC order, the Company during fiscal 2011 disassociated itself from the former Investment Adviser and broker-dealer operations in the previously defined Restructuring Transaction.

As required by the Settlement, the SEC created a "Fair Fund" pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002. The Fair Fund is being used to reimburse shareholders who owned shares in the affected Value Line Funds in the period covered by the Settlement. The Company is required to bear all costs associated with the Fair Fund administration, including compensating a third party consultant appointed by the SEC to administer the Fair Fund distribution. The SEC has appointed A.B. Data, Ltd., which has no affiliation with the Company, as the Administrator

of the Fair Fund. During fiscal 2011, the Company reduced its estimate of the remaining costs of administration of the Fair Fund and other costs associated with the Settlement by \$1,767,000. The provision for settlement included anticipated costs of Fair Fund administration as well as certain fees and costs arising from the Settlement and the Restructuring Transaction. During fiscal 2013, 2012 and 2011, the Company made payments to the Administrator of the Fair Fund aggregating \$32,000, \$1,189,000 and \$2,783,000, respectively. The Company believes that the outstanding provision for settlement in the amount of \$243,000 reflected as a liability in the Consolidated Balance Sheet at April 30, 2013, is sufficient to meet the remaining obligations of the Fair Fund administration.