

VALUE LINE INC  
Form 10-Q  
December 12, 2014

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2014

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.)

485 Lexington Avenue, New York, New York

(Address of principal executive offices)

10017-2630

(Zip Code)

(212) 907-1500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

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

Yes ☒ No ☐

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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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐  
(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Class	Outstanding at October 31, 2014
Common stock, \$0.10 par value	9,812,868 Shares

VALUE LINE INC.  
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Part I - Financial Information  
Item 1. Financial Statements

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

	October 31, 2014 (unaudited)	April 30, 2014
Assets		
Current Assets:		
Cash and cash equivalents (including short term investments of \$4,857 and \$5,482, respectively)	\$5,154	\$5,788
Securities available-for-sale	9,223	9,226
Accounts receivable, net of allowance for doubtful accounts of \$28 and \$39, respectively	1,248	1,206
Prepaid and refundable income taxes	160	175
Prepaid expenses and other current assets	1,471	1,507
Deferred income taxes	298	364
Total current assets	17,554	18,266
Long term assets:		
Investment in EAM Trust	57,962	57,850
Property and equipment, net	3,816	3,863
Capitalized software and other intangible assets, net	6,951	6,896
Total long term assets	68,729	68,609
Total assets	\$86,283	\$86,875
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities	\$2,130	\$2,429
Accrued salaries	1,083	1,349
Dividends payable	1,472	1,472
Accrued taxes on income	487	316
Unearned revenue	19,893	21,490
Total current liabilities	25,065	27,056
Long term liabilities:		
Unearned revenue	4,206	3,634
Deferred charges	267	367
Deferred income taxes	22,461	22,520
Total long term liabilities	26,934	26,521
Total liabilities	51,999	53,577
Shareholders' Equity:		
Common stock, \$0.10 par value; authorized 30,000,000 shares; issued 10,000,000 shares	1,000	1,000

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Additional paid-in capital	991	991
Retained earnings	34,257	33,183
Treasury stock, at cost (187,132 and 182,071 shares, respectively)	(2,193 )	(2,122 )
Accumulated other comprehensive income, net of tax	229	246
Total shareholders' equity	34,284	33,298
 Total liabilities and shareholders' equity	 \$86,283	 \$86,875

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

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

	For the Three Months Ended October 31,		For the Six Months Ended October 31,	
	2014	2013	2014	2013
Revenues:				
Investment periodicals and related publications	\$8,547	\$8,306	\$16,820	\$16,502
Copyright data fees	714	707	1,511	1,463
Total revenues	9,261	9,013	18,331	17,965
Expenses:				
Advertising and promotion	1,378	1,115	2,353	2,158
Salaries and employee benefits	3,839	3,965	7,954	7,865
Production and distribution	1,759	1,519	3,399	3,061
Office and administration	1,239	1,768	2,517	3,766
Total expenses	8,215	8,367	16,223	16,850
Income from operations	1,046	646	2,108	1,115
Revenues and profits interests in EAM Trust	1,949	1,854	3,971	3,623
Income from securities transactions, net	66	34	107	72
Income before income taxes	3,061	2,534	6,186	4,810
Income tax provision	1,079	918	2,168	1,749
Net income	\$1,982	\$1,616	\$4,018	\$3,061
Earnings per share, basic & fully diluted	\$0.20	\$0.16	\$0.41	\$0.31
Weighted average number of common shares	9,813,875	9,847,951	9,814,525	9,855,670

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

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

	For the Three Months Ended October 31,		For the Six Months Ended October 31,	
	2014	2013	2014	2013
Net income	\$1,982	\$1,616	\$4,018	\$3,061
Other comprehensive income (loss), net of tax:				
Change in unrealized gains on securities, net of taxes	68	42	(17	) 40
Other comprehensive income (loss)	68	42	(17	) 40
Comprehensive income	\$2,050	\$1,658	\$4,001	\$3,101

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

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

	For the Six Months Ended October 31,	
	2014	2013
Cash flows from operating activities:		
Net income	\$4,018	\$3,061
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	1,239	985
Non-voting revenues interest in EAM Trust	(3,636 )	(3,261 )
Non-voting profits interest in EAM Trust	(335 )	(362 )
Unrealized gains on securities	(30 )	-
Deferred rent	(100 )	422
Deferred income taxes	64	621
Changes in operating assets and liabilities:		
Unearned revenue	(1,025 )	(1,844 )
Reserve for settlement	(54 )	(129 )
Operating lease exit obligation	-	(36 )
Accounts payable & accrued expenses	(245 )	(611 )
Accrued salaries	(266 )	(180 )
Accrued taxes on income	100	730
Prepaid and refundable income taxes	15	-
Prepaid expenses and other current assets	36	409
Accounts receivable	(42 )	(209 )
Total adjustments	(4,279 )	(3,465 )
Net cash used in operating activities	(261 )	(404 )
Cash flows from investing activities:		
Purchases of securities classified as available-for-sale	-	(1,223 )
Distributions received from EAM Trust	3,889	3,373
Acquisition of property and equipment	(99 )	(153 )
Expenditures for capitalized software	(1,148 )	(1,230 )
Net cash provided by investing activities	2,642	767
Cash flows from financing activities:		
Purchase of treasury stock at cost	(71 )	(349 )
Dividends paid	(2,944 )	(2,959 )
Net cash used in financing activities	(3,015 )	(3,308 )
Net change in cash and cash equivalents	(634 )	(2,945 )
Cash and cash equivalents at beginning of year	5,788	6,840
Cash and cash equivalents at end of period	\$5,154	\$3,895

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



Value Line, Inc.  
Consolidated Condensed Statement of Changes in Shareholders' Equity  
For the Six Months Ended October 31, 2014  
(in thousands, except share amounts)  
(unaudited)

	Common stock		Additional	Treasury Stock		Retained	Accumulated Other Comprehensive	
	Shares	Amount	paid-in capital	Shares	Amount	earnings	income/(loss)	Total
Balance at April 30, 2014	10,000,000	\$ 1,000	\$ 991	(182,071)	\$ (2,122)	\$ 33,183	\$ 246	\$ 33,298
Net income						4,018		4,018
Change in unrealized gains on securities, net of taxes							(17 )	(17 )
Purchase of treasury stock				(5,061 )	(71 )			(71 )
Dividends declared						(2,944 )		(2,944 )
Balance at October 31, 2014	10,000,000	\$ 1,000	\$ 991	(187,132)	\$ (2,193)	\$ 34,257	\$ 229	\$ 34,284

Dividends declared per share were \$0.15 for each of the three months ending July 31, 2014 and October, 31, 2014.

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

Value Line, Inc.  
Consolidated Condensed Statement of Changes in Shareholders' Equity  
For the Six Months Ended October 31, 2013  
(in thousands, except share amounts)  
(unaudited)

	Common stock		Additional	Treasury Stock		Retained	Accumulated Other Comprehensive	
	Shares	Amount	paid-in capital	Shares	Amount	earnings	income/(loss)	Total
Balance at April 30, 2013	10,000,000	\$ 1,000	\$ 991	(123,572)	\$ (1,572 )	\$ 32,315	\$ 251	\$ 32,985
Net income						3,061		3,061
Change in unrealized gains on securities, net of taxes							40	40
Purchase of treasury stock				(39,151 )	(349 )			(349 )
Dividends declared						(2,954 )		(2,954 )
Balance at October 31, 2013	10,000,000	\$ 1,000	\$ 991	(162,723)	\$ (1,921 )	\$ 32,422	\$ 291	\$ 32,783

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

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

Value Line, Inc.  
Notes to Consolidated Condensed Financial Statements  
October 31, 2014  
(Unaudited)

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.

The Consolidated Condensed Balance Sheets as of October 31, 2014 and April 30, 2014, which have been derived from the unaudited interim Consolidated Condensed Financial Statements and the audited Consolidated Financial Statements, respectively, were prepared following the interim reporting requirements of the Securities and Exchange Commission (“SEC”). In the opinion of management, the accompanying Unaudited Interim Consolidated Condensed Financial Statements contain all adjustments (consisting of normal recurring accruals except as noted below) considered necessary for a fair presentation. This report should be read in conjunction with the audited financial statements and footnotes contained in the Company’s Annual Report on Form 10-K for the fiscal year ended April 30, 2014 filed with the SEC on July 21, 2014 (the “Form 10-K”). Results of operations covered by this report may not be indicative of the results of operations for the entire year.

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 3).

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 deconsolidation of the investment management related affiliates (the "Restructuring Transaction") 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 significant non-voting profits interest in the new entity, EULAV Asset Management, a Delaware statutory trust ("EAM" or "EAM Trust"). 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 Condensed Statements of Income.

#### Revenue Recognition:

Depending upon the product, subscriptions to Value Line periodicals and related publications are 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 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 Condensed Financial Statements  
October 31, 2014  
(Unaudited)

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 equities including ETFs, and deposits in savings accounts at large commercial banks and are valued in accordance with the requirements of the Fair Value Measurements Topic of the FASB's ASC 820. The securities classified as available-for-sale reflected in the Consolidated Condensed 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 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.

The Fair Value Measurements Topic of FASB's ASC 820 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. Examples of risks include those inherent in a particular valuation technique used to measure fair value such as the risk inherent in the inputs to 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 October 31, 2014			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 4,857	\$ -	\$ -	\$ 4,857
Securities available-for-sale	9,223	-	-	9,223
	\$ 14,080	\$ -	\$ -	\$ 14,080

Value Line, Inc.  
Notes to Consolidated Condensed Financial Statements  
October 31, 2014  
(Unaudited)

	As of April 30, 2014			
(\$ in thousands)	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 5,482	\$ -	\$ -	\$ 5,482
Securities available-for-sale	9,226	-	-	9,226
	\$ 14,708	\$ -	\$ -	\$ 14,708

The Company had no other financial instruments such as futures, forwards and swap contracts. For the periods ended October 31, 2014 and April 30, 2014, 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 Condensed 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 October 31, 2014, 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.

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 Condensed 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 October 31, 2014 and April 30, 2014, cash equivalents included \$4,857,000 and \$5,482,000, respectively, for amounts invested in savings accounts at commercial banks and investments in money market mutual funds that invest in short term U.S. government securities.

Note 2 - 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 are readily marketable and have a maturity of twelve months or less and are classified as current assets on the Consolidated Condensed Balance Sheets.

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 October 31, 2014 and April 30, 2014, 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 Condensed Balance Sheets. Additionally, as of October 31, 2014 and April 30, 2014, 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 October 31, 2014 and April 30, 2014, 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, and inverse equity index ETFs, was \$8,871,000 and \$8,847,000, respectively, and the fair value was \$9,223,000 and \$9,226,000, respectively.

There were no sales or proceeds from sales of equity securities during the six months ended October 31, 2014 and October 31, 2013. The decrease in gross unrealized gains on equity securities classified as available-for-sale of \$27,000, net of deferred taxes of \$10,000 was included in Shareholders' Equity at October 31, 2014. The increase in gross unrealized gains on equity securities classified as available-for-sale of \$61,000, net of deferred taxes of \$21,000 was included in Shareholders' Equity at October 31, 2013.

Value Line, Inc.  
Notes to Consolidated Condensed Financial Statements  
October 31, 2014  
(Unaudited)

The changes in the value of equity securities investments are recorded in Other Comprehensive Income in the Consolidated Condensed Financial Statements. Realized gains and losses are recorded as of the trade date in the Consolidated Condensed Statements of Income when securities are sold, mature or are redeemed. As of October 31, 2014 and April 30, 2014, accumulated other comprehensive income included unrealized gains of \$353,000 and \$379,000, net of deferred taxes of \$124,000 and \$133,000, respectively.

The carrying value and fair value of securities available-for-sale at October 31, 2014 were as follows:

(\$ in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stocks	\$ 101	\$ 64	\$ (6 )	\$ 159
ETFs - equities	3,902	1,521	(2 )	5,421
Inverse ETFs - equities	4,868	-	(1,225 )	3,643
	\$ 8,871	\$ 1,585	\$ (1,233 )	\$ 9,223

The carrying value and fair value of securities available-for-sale at April 30, 2014 were as follows:

(\$ in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stocks	\$ 101	\$ 47	\$ (12 )	\$ 136
ETFs - equities	3,878	1,280	(2 )	5,156
Inverse ETFs - equities	4,868	-	(934 )	3,934
	\$ 8,847	\$ 1,327	\$ (948 )	\$ 9,226

Income from Securities Transactions:

Income from securities transactions was comprised of the following:

	Three Months Ended October 31,		Six Months Ended October 31,	
(\$ in thousands)	2014	2013	2014	2013
Dividend income	\$ 39	\$ 36	\$ 77	\$ 72
Interest income	-	-	3	-
Other	27	(2 )	27	-
Total income from securities transactions, net	\$ 66	\$ 34	\$ 107	\$ 72

Investment in Unconsolidated Entities:

Equity Method Investment:

As of October 31, 2014 and April 30, 2014, the Company's investment in EAM Trust, on the Consolidated Condensed Balance Sheets was \$57,962,000 and \$57,850,000, respectively.

The value of VLI's investment in EAM at October 31, 2014 and April 30, 2014 reflects the fair value of contributed capital of \$55,805,000 at inception which included \$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 Condensed 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 2015 or 2014.

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

(\$ in thousands) (unaudited)	Three Months Ended October 31, 2014	2013	Six Months Ended October 31, 2014	2013
Investment management fees earned from the Value Line Funds, net of fee waivers	\$ 3,690	\$ 3,580	\$ 7,477	\$ 7,065
12b-1 fees and other fees, net of fee waivers	\$ 1,349	\$ 1,294	\$ 2,709	\$ 2,413
Other income	\$ 4	\$ 8	\$ 9	\$ 10
Investment management fee waivers (1)	\$ 41	\$ 23	\$ 69	\$ 47
12b-1 fee waivers (1)	\$ 374	\$ 379	\$ 769	\$ 902
Value Line's non-voting revenues interest	\$ 1,803	\$ 1,663	\$ 3,636	\$ 3,261
EAM's net income (2)	\$ 292	\$ 382	\$ 670	\$ 724

(1) During fiscal 2015 and 2014, investment management fee waivers related to one of the Value Line Mutual Fixed Income Funds. During fiscal 2015 and 2014, the 12b-1 fee waivers related to six and seven of the Value Line Mutual Funds, respectively.

(2) 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)	October 31, 2014 (unaudited)	April 30, 2014
EAM's total assets	\$ 60,002	\$ 59,965
EAM's total liabilities (1)	(3,065 )	(3,158 )
EAM's total equity	\$ 56,937	\$ 56,807

(1) At October 31, 2014 and April 30, 2014, EAM's total liabilities included a payable to VLI for its accrued non-voting revenues and non-voting profits interests of \$1,935,000 and \$1,887,000, respectively.

### Note 3 - 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 Condensed Balance Sheets for its interest in EAM.

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		Investment in EAM Trust (1)	Value Line Liabilities	Maximum Exposure to Loss
(\$ in thousands)	VIE Assets			
As of October 31, 2014 (unaudited)	\$60,002	\$57,962	\$-	\$57,962
As of April 30, 2014	\$59,965	\$57,850	\$-	\$57,850

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

Note 4 - Supplementary Cash Flow Information:

	Six Months Ended October 31,	
(\$ in thousands)	2014	2013
State and local income tax payments	\$(116 )	\$(46 )
Federal income tax payments to the Parent	\$(1,850 )	\$(354 )

Note 5 - 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 six months ended October 31, 2014 and October 31, 2013, the estimated profit sharing plan contribution, which is included as an expense in salaries and employee benefits in the Consolidated Condensed Statements of Income, was \$200,000 and \$155,000, respectively.

Note 6 - 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.

Beginning in fiscal 2013, 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 October 31, 2014 and October 31, 2013, the Company held equity securities consisting primarily of ETFs with high relative dividend yields that are classified as securities available-for-sale on the Consolidated Condensed Balance Sheets. Additionally, as of October 31, 2014 and October 31, 2013, 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

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of deferred income taxes, has been recorded in accumulated other comprehensive income in the Company's Consolidated Condensed Balance Sheets.

The components of comprehensive income included in the Consolidated Condensed Statements of Income and Changes in Shareholders' Equity for the six months ended October 31, 2014 are as follows:

(\$ in thousands)	Amount Before Tax	Tax Benefit	Amount Net of Tax
Change in unrealized gains on securities	\$ (27 )	\$ 10	\$ (17 )
	\$ (27 )	\$ 10	\$ (17 )

The components of comprehensive income included in the Consolidated Condensed Statements of Income and Changes in Shareholders' Equity for the six months ended October 31, 2013 are as follows:

(\$ in thousands)	Amount Before Tax	Tax Expense	Amount Net of Tax
Change in unrealized gains on securities	\$ 61	\$ (21 )	\$ 40
	\$ 61	\$ (21 )	\$ 40

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Note 7 - 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 October 31, 2014, were \$2.39 billion, 3.0% above total assets of \$2.32 billion in the Value Line Funds managed and/or distributed by EAM at October 31, 2013. The increase is primarily a result of net appreciation in equity assets under management partially offset by redemptions net of sales within the Value Line Funds.

The Company's non-voting revenues and non-voting profits interests in EAM entitle it to receive quarterly distributions in a range of 41% to 55% of EAM's revenues (excluding distribution revenues) from EAM's mutual fund and separate account business and at least 90% of the Company's 50% interest in the residual profits of EAM which are payable each fiscal quarter under the provisions of the EAM Trust Agreement. Value Line's percent share of EAM's revenues calculated each fiscal quarter was 49.18% and 49.63% during the first and second quarters of fiscal 2015, respectively. Value Line's percent share of EAM's revenues calculated each fiscal quarter was 46.66% and 47.27%, during the first and second quarters of fiscal 2014, respectively. The distributable amounts earned through the balance sheet date, which is included in the Investment in EAM Trust on the Consolidated Condensed Balance Sheets, and not yet paid, were \$1,935,000 and \$1,887,000 at October 31, 2014 and April 30, 2014, 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. The Company recorded income from its non-voting revenues interest and its non-voting profits interest in EAM as follows:

	Three Months Ended October 31,		Six Months Ended October 31,	
(\$ in thousands)	2014	2013	2014	2013
Non-voting revenues interest in EAM	\$1,803	\$1,663	\$3,636	\$3,261
Non-voting profits interest in EAM	146	191	335	362
	\$1,949	\$1,854	\$3,971	\$3,623

Transactions with Parent:

During the six months ended October 31, 2014 and October 31, 2013, the Company was reimbursed \$71,000 and \$101,000, respectively, for payments it made on behalf of and for services the Company provided to the

Parent. There were no receivables from affiliates including receivables from the Parent on the Consolidated Condensed Balance Sheets at October 31, 2014 and April 30, 2014.

The Company is a party to a tax-sharing arrangement with the Parent which allocates the tax liabilities of the two Companies between them. The Company made federal tax payments of \$1,850,000 and \$354,000 to the Parent during the six months ended October 31, 2014 and October 31, 2013, respectively.

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 October 31, 2014, the Parent owned 87.98% of the outstanding shares of common stock of the Company.

Note 8 - 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:

	Three Months Ended October 31,		Six Months Ended October 31,	
(\$ in thousands)	2014	2013	2014	2013
Current tax expense:				
Federal	\$1,083	\$838	\$1,952	\$1,054
State and local	62	46	152	74
Current tax expense	1,145	884	2,104	1,128
Deferred tax expense:				
Federal	(106 )	24	-	530
State and local	40	10	64	91
Deferred tax expense	(66 )	34	64	621
Income tax provision:	\$1,079	\$918	\$2,168	\$1,749

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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)	October 31, 2014	April 30, 2014
Federal tax benefit (liability):		
Unrealized gains on securities available-for-sale	\$ (124 )	\$ (134 )
Operating lease deferred obligation	70	70
Deferred professional fees	30	36
Deferred charges	268	327
Total federal tax benefit	244	299

State and local tax benefits:

Other	54	65
Total state and local tax benefits	54	65
Deferred tax asset, short term	\$ 298	\$ 364

(\$ in thousands)	October 31, 2014	April 30, 2014
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	2,463	2,416
Other	530	646
Total federal tax liability	20,053	20,122

State and local tax liabilities (benefits):

Deferred gain on deconsolidation of EAM	2,185	2,181
Deferred non-cash post-employment compensation	(77 )	(76 )
Depreciation and amortization	304	298
Deferred professional fees	(4 )	(5 )
Total state and local tax liabilities	2,408	2,398
Deferred tax liability, long term	\$ 22,461	\$ 22,520

At the end of each interim reporting period, the Company estimates the effective income tax rate to apply for the full fiscal year. 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 rate, as a percentage of pre-tax ordinary income for the six months ended October 31, 2014 and October 31, 2013 was 35.05% and 36.36%, respectively. The Company's annual effective tax rate may

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 by and settlements with tax authorities. The fluctuation in the effective income tax rate during fiscal 2015 is primarily attributable to the excess income tax accruals in past years that were resolved upon completion of the prior NYC and IRS audits and an increase in the dividends received deduction.

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:

	Six Months Ended October 31,			
	2014		2013	
U.S. statutory federal rate	35.00	%	35.00	%
Increase (decrease) in tax rate from:				
State and local income taxes, net of federal income tax benefit	2.27	%	2.23	%
Effect of dividends received deductions	-0.29	%	-0.35	%
Domestic production tax credit	-0.65	%	-0.40	%
Other, net	-1.28	%	-0.12	%
Effective income tax rate	35.05	%	36.36	%

The Company believes that, as of October 31, 2014, 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.

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The Company's federal income tax returns (included in the Parent's consolidated returns) and state and city tax returns for fiscal years 2013, 2012, and 2011 are subject to examination by the tax authorities, generally for three years after they were filed with the tax authorities. During May 2014, New York City concluded its examination of the Company's income tax returns for the three years through fiscal year 2011, 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, 2013 and 2012 are being examined by the Internal Revenue Service (IRS) and by New York City. The Company does not expect the audit examinations to have a material effect on its financial statements.

Note 9 - 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 Condensed Balance Sheets was comprised of the following:

(\$ in thousands)	October 31, 2014	April 30, 2014
Land	\$ 726	\$ 726
Building and leasehold improvements	5,024	5,024
Furniture and equipment	5,182	5,312
	10,932	11,062
Accumulated depreciation and amortization	(7,116 )	(7,199 )
Total property and equipment, net	\$ 3,816	\$ 3,863

Note 10 - 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 \$1,148,000 and \$1,230,000 related to the development of software for internal use for the six months ended October 31, 2014 and 2013, respectively, of which \$1,140,000 and \$1,191,000 related to development costs for the digital production software project and \$8,000 and \$39,000 related to a new fulfillment system, respectively. Total capitalized software includes \$710,000 and \$850,000 of internal costs to develop software and \$438,000 and \$380,000 of third party programmers' costs for the six months ended October 31, 2014, and October 31, 2013, respectively. Such costs are capitalized and amortized over the expected useful life of the asset which is 5 years. Total amortization expenses for the six months ended October 31, 2014 and October 31, 2013, were \$1,093,000 and \$839,000, respectively.

Note 11 - Treasury Stock and Repurchase Program:

On September 19, 2012, the Company's Board of Directors approved a 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 may 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 repurchase program may be suspended or discontinued at any time at the Company's discretion and has no set expiration date.

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Treasury stock, at cost, consists of the following:

(in thousands except for shares and cost per share)	Shares	Total Average Cost Assigned	Average Cost per Share	Aggregate Purchase Price Remaining Under the Program
Balance as of April 30, 2014 (1)(2)(3)	182,071	\$ 2,122	\$ 11.65	\$ 2,268
Purchases effected in open market during the quarters ended:				
July 31, 2014	3,053	42	\$ 13.76	\$ 2,226
Oct. 31, 2014	2,008	29	\$ 14.44	\$ 2,197
Balance as of October 31, 2014	187,132	\$ 2,193	\$ 11.72	

(1) Includes 18,400 shares with a total average cost of \$354,000 that 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) Includes 78,452 shares with a total average cost of \$732,000 that were acquired during the current repurchase program authorized in September 2012.

Note 12 - Lease Commitments:

On February 7, 2013, the Company and Citibank, N.A. (the "Sublandlord") entered into a sublease agreement, pursuant to which Value Line has leased 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 July 1, 2013 and ending on February 27, 2017 ("Sublease"). On August 16, 2013, the Company moved to the Building which became its new corporate office facility. Base rent under the Sublease is \$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, which is to be partially returned over the course of the sublease term. 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 have provided for a significant decrease in the Company's annual rental expenses. The Company recorded a deferred charge on its Consolidated Condensed Balance Sheets to reflect the excess of annual rental expense over cash payments since inception of the lease due to free rent for the first six months of the sublease.

The total amount of the base rent payments is being charged to expense on the straight-line method over the term of the lease.

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 Ended April 30,     Sublease

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(\$ in  
thousands)

2016	1,468
2017	1,224
2018	-
2019	-
2020 and thereafter	-
	\$ 2,692

For the six months ended October 31, 2014 and 2013, rental expenses were \$634,000 and \$1,638,000, respectively. The rental expenses during fiscal 2014 included an additional one time overlapping rent of \$771,000 for the previously occupied office facilities during the short term lease extension which ended September 15, 2013. The additional rent was offset by a significant decrease in the Company's annual rental expenses for the New York City office facility under the sublease terms between Value Line, Inc. and Citibank.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

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:

- maintaining revenue from subscriptions for the Company's digital and print published products;
- changes in market and economic conditions, including global financial issues;
- protection of intellectual property rights;
- 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;
- dependence on key personnel;
- 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” of the Company's Annual Report on Form 10-K for the year ended April 30, 2014 and in Part II, Item 1A of this Quarterly Report on Form 10-Q for the period ended July 31, 2014; 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.

In this report, “Value Line,” “we,” “us,” “our” refers to Value Line, Inc. and the “Company” refers to Value Line and subsidiaries unless the context otherwise requires.

## Executive Summary of the Business

The Company's core business is producing investment periodicals and their underlying research 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 and for other purposes. Value Line markets under well-known brands including Value Line®, the Value Line logo®, The Value Line Investment Survey®, Smart Research, Smarter Investing™ and The Most Trusted Name in Investment Research®. The name "Value Line" as used to describe the Company, its products, and its subsidiaries, is a registered trademark of the Company. Prior to December 23, 2010, (see "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. Since December 23, 2010, EULAV Asset Management Trust ("EAM") provides the investment management services to the Value Line Funds accounts and provides distribution, marketing, and administrative services to the Value Line Funds. Value Line holds a substantial non-voting revenues and non-voting profits interests in EAM.

The Company's target audiences within the investment research field are individual investors, colleges, libraries, and investment management professionals. Individuals come to Value Line for complete research in one package. Institutional licensees 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 in institutional relationships vary, for example, by the university or college enrollment, number of users, and nature of the use.

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 orders 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.

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 the Publishing segment. Subsequent to December 23, 2010, the Investment Management business is no longer considered a business segment.

## Asset Management and Mutual Fund Distribution Businesses

The business of EAM is managed by its trustees each owning 20% of the voting profits interest in EAM 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. Current distribution is set at 90% of EAM's profits payable each fiscal quarter under the provisions of the EAM Trust Agreement. Value Line's percent share of EAM's revenues calculated each fiscal quarter was 49.18% and 49.63%, respectively, during the first and second quarters of fiscal 2015 and 46.66% and 47.27%, respectively, during the first and second quarters of fiscal 2014.

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 six months ended October 31, 2014, the NASDAQ, the Dow Jones Industrial Average, and Russell 2000 were up 12.55%, 4.88%, and 4.14%, respectively, as compared to the combined Ranking System "Rank 1 & 2" stocks which increased 4.1%. The "Rank 1 & 2" stocks underperformed the S&P 500 Index's increase of 8.0% during the comparable period.

The nation's economy which faltered during the weather-impacted first quarter, as GDP declined 2.1%, came back strong during April through June 2014, gaining an outsized 4.6% and again in the third quarter rising 3.5%, led by fairly steady gains in consumer spending, industrial output, exports, and defense spending. The strong dollar against other currencies may likely result in a pullback in future exports. Additionally encouraging is the healthier outlook on the employment front, where solid strides are being made in job creation and in reducing the unemployment rate.

Meanwhile, our relative optimism on the domestic front does not carry over to the global side, where Europe is moving back and forth between a listless recovery and a series of business setbacks, now worsened by growing fears of deflation and the Middle East, where there seems to be no end to the military standoff between Russia and Ukraine. Thus far, these global ills have not had a material impact on the United States, and our belief is that this will continue to be the case in the months to come.

Encouragingly, we would expect the Federal Reserve to retain accommodative monetary policies over the next year or two, with just incremental increases in short-term borrowing costs (directly controlled by the central bank) probably taking hold toward the middle of 2015. Underscoring our monetary view is the modest scope of the economic expansion at home, lingering uncertainties overseas, and persisting worries about deflation.

Finally, the highly accommodative monetary policies being kept in place by the Fed have helped to sustain the long bull market in equities. The Federal Reserve's likely completion of its multi-year long program of bond purchases later this year, moreover, should not disrupt this durable market upturn, as this eventuality has been long anticipated by Wall Street.

## Results of Operations for the Three and Six Months Ended October 31, 2014 and October 31, 2013

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

(\$ in thousands, except earnings per share)	Three Months Ended October 31,			Six Months Ended October 31,		
	2014	2013	Change	2014	2013	Change
Income from operations	\$ 1,046	\$ 646	61.9 %	\$ 2,108	\$ 1,115	89.1 %
Revenues and profits interests from EAM Trust	\$ 1,949	\$ 1,854	5.1 %	\$ 3,971	\$ 3,623	9.6 %
Income from operations plus non-voting revenues and non-voting profits interests from EAM Trust	\$ 2,995	\$ 2,500	19.8 %	\$ 6,079	\$ 4,738	28.3 %
Operating expenses	\$ 8,215	\$ 8,367	-1.8 %	\$ 16,223	\$ 16,850	-3.7 %
Income from securities transactions, net	\$ 66	\$ 34	94.1 %	\$ 107	\$ 72	48.6 %
Income before income taxes	\$ 3,061	\$ 2,534	20.8 %	\$ 6,186	\$ 4,810	28.6 %

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Net income	\$ 1,982	\$ 1,616	22.6	%	\$ 4,018	\$ 3,061	31.3	%
Earnings per share	\$ 0.20	\$ 0.16	25.0	%	\$ 0.41	\$ 0.31	32.3	%

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During the three months ended October 31, 2014, the Company's net income of \$1,982,000, or \$0.20 per share, was \$366,000 or 22.6% above net income of \$1,616,000, or \$0.16 per share, for the three months ended October 31, 2013. During the six months ended October 31, 2014, the Company's net income of \$4,018,000, or \$0.41 per share, was \$957,000 or 31.3% above net income of \$3,061,000, or \$0.31 per share, for the six months ended October 31, 2013. During the six months ended October 31, 2014 there were 9,814,525 average common shares outstanding as compared to 9,855,670 average common shares outstanding during the six months ended October 31, 2013. Income from operations of \$2,108,000 for the six months ended October 31, 2014 which included additional depreciation and amortization expense of \$254,000 was \$993,000 above income from operations of \$1,115,000 for the six months ended October 31, 2013. Income from operations for the six months ended October 31, 2013 included one time overlapping rent expense of \$771,000 for the previously occupied office facilities during the short term lease extension that ended September 15, 2013.

#### Total operating revenues

(\$ in thousands)	Three Months Ended October 31,			Six Months Ended October 31,		
	2014	2013	Change	2014	2013	Change
Investment periodicals and related publications:						
Print	\$ 4,444	\$ 4,594	-3.3 %	\$ 8,691	\$ 9,267	-6.2 %
Digital	4,103	3,712	10.5 %	8,129	7,235	12.4 %
Total investment periodicals and related publications	8,547	8,306	2.9 %	16,820	16,502	1.9 %
Copyright data fees	714	707	1.0 %	1,511	1,463	3.3 %
Total publishing revenues	\$ 9,261	\$ 9,013	2.8 %	\$ 18,331	\$ 17,965	2.0 %

Total publishing revenues from investment periodicals and related publications excluding copyright data fees were \$8,547,000 during the three months ended October 31, 2014, which is 2.9% above the total publishing revenues excluding copyright data fees of \$8,306,000 during the three months ended October 31, 2013. During the six months ended October 31, 2014 total publishing revenues from investment periodicals and related publications excluding copyright data fees were \$16,820,000, which is 1.9% above the total publishing revenues excluding copyright data fees of \$16,502,000 during the six months ended October 31, 2013.

As a result of the completion of the Restructuring Transaction on December 23, 2010, investment management activity 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

	Three Months Ended October 31,				Six Months Ended October 31,			
	2014		2013		2014		2013	
	Print	Digital	Print	Digital	Print	Digital	Print	Digital
New Sales Orders	12.3 %	33.5 %	22.4 %	29.7 %	11.6 %	26.1 %	23.1 %	28.9 %
Conversion and Renewal Sales	87.7 %	66.5 %	77.6 %	70.3 %	88.4 %	73.9 %	76.9 %	71.1 %

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Orders

Total Gross Sales

Orders

100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
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During the six months ended October 31, 2014 new sales orders decreased as a result of reduced direct marketing efforts and renewal orders increased as compared to last fiscal year due to increased resources of the in-house Telemarketing department.

	As of October 31,	As of April 30,	As of October 31,	Change Oct-14 vs. Apr-14	Oct-14 vs. Oct-13
(\$ in thousands)	2014	2014	2013		
Unearned subscription revenue (current and long term liabilities)	\$ 24,099	\$25,124	\$ 22,865	-4.1 %	5.4 %

Unearned subscription revenue as of October 31, 2014 is 4.1% below April 30, 2014 and 5.4% above October 31, 2013. A certain amount of variation is to be expected due to the volume of new orders and timing of renewal orders, direct mail campaigns or large Institutional Sales orders.

#### Investment periodicals and related publications revenues

Investment periodicals and related publications revenues of \$16,820,000 increased 1.9% for the six months ended October 31, 2014, as compared to the prior fiscal year. The Company continued its efforts to attract new subscribers through various marketing channels, primarily direct mail, e-mail, and by the efforts of our sales personnel. Total product line circulation at October 31, 2014 was 4.1% below total product line circulation at October 31, 2013. The Company has been successful in growing revenues from digitally-delivered investment periodicals. Institutional Sales generated sales orders of \$5,458,000 for the six months ended October 31, 2014, which were 4.9%, above comparable sales orders of \$5,202,000 for the six months ended October 31, 2013. We have also benefited from “converting” some customers from retail to professional price services.

Print publication revenues decreased \$576,000 or 6.2% for the six months ended October 31, 2014 from fiscal 2014. Earned revenues from institutional print publications increased \$57,000 or 6.0% for the six months ended October 31, 2014 as compared to the prior fiscal year. Print publications revenues from retail subscribers decreased \$633,000 or 7.6% for the six months ended October 31, 2014, as compared to the prior fiscal year. Total print circulation at October 31, 2014 was 7.0% below total print circulation at October 31, 2013. Continuing factors that have contributed to the decline in the retail print investment periodicals and related publications revenues include competition in the form of free or low cost digital investment research on the Internet, research provided by brokerage firms at no direct cost to their clients, and user preference for digital services. It is expected that print revenues will continue to decline long term, while we emphasize circulation of our digital offerings.

Digital publications revenues increased \$894,000 or 12.4% for the six months ended October 31, 2014 as compared to the prior fiscal year. Earned revenues from institutional digital publications increased \$646,000 or 13.8% for the six months ended October 31, 2014, as compared to the prior fiscal year. Digital publications revenues from retail subscribers increased \$248,000 or 9.7% for the six months ended October 31, 2014, as compared to the prior fiscal year. At October 31, 2014 total digital product circulation has increased 2.2% above total digital product circulation at October 31, 2013.

The Company has relied more on its personnel selling efforts in both the institutional segment and retail retention and sales division. 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 print customers has been gradually declining as individuals migrate to various digital services including the Company's. Individual investors interested in digitally-delivered investment information have access to both free and subscription equity research from many sources.

Value Line serves individual and professional investors who pay, either on a regular monthly plan or annual subscription plan for basic services or as much as \$100,000 or more annually for extensive premium quality research, not obtainable elsewhere. The ongoing goal of adding new subscribers has led us to experiment with varying terms for our reliable, proprietary research.

The Company has established the goal of developing competitive products and marketing them effectively through traditional as well as internet and mobile channels. Towards that end, the Company continues to modernize legacy information technology systems.

#### 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. The Ranking System is designed to be predictive over a six to twelve month period. For the six and twelve month periods ended October 31, 2014, the combined Ranking System “Rank 1 & 2” stocks increased 4.1% and 12.6%, respectively, underperforming the S&P 500 Index’s increases of 8.0% and 14.5% during the comparable periods.

During the three and six months ended October 31, 2014, copyright data fees increased \$7,000 or 1.0%, and \$48,000 or 3.3%, respectively, as compared to the prior fiscal year. As of October 31, 2014, total third party sponsored assets were attributable to four contracts for copyright data representing \$2.2 billion in various products, as compared to four contracts for copyright data representing \$2.9 billion in assets at October 31, 2013. The decrease in assets managed by third party sponsors resulted from a shift in assets in one of the underlying portfolios during April 2013 and then in February 2014 a second asset reassignment of similar magnitude to new subadvisors which was beyond Value Line’s control. The reassignments of assets are anticipated to cause a reduction in pre-tax revenues from copyright data fees, cumulatively, of about \$1.5 million on an annual basis that began in the fourth quarter of fiscal 2014. While we are seeking new copyright data arrangements with existing and new partners, it clearly will take considerable time to make up a material part of the loss, if the Company can do so at all. The field is competitive and a decline in typical fee scales has been observed.

Our Quantitative Research department has several “models,” or methods of selecting stocks and mutual funds to buy or sell, which are promising based on computerized testing we have done so far. We are unable to project when substantial additional assets may come under the management of Value Line-linked selection models.

The Company believes 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, competition and on fluctuations in segments of the equity markets. Management is actively pursuing potential channels for the copyright data products, including Ranking System-based concepts as well as other proprietary quantitative models.

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

The Company no longer reports this operation as a separate business segment, although the Company 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 October 31, 2014, were \$2.39 billion, which is \$69 million, or 3.0%, above total assets of \$2.32 billion in the Value Line Funds managed by EAM at October 31, 2013.



## Value Line Mutual Funds

## Total Net Assets

(\$ in millions)	As of October 31,		Change	
	2014	2013		
Variable annuity assets (“GIAC”)	\$483	\$491	-1.6	%
All other open end equity and hybrid fund assets	1,697	1,604	5.8	%
Total equity funds	2,180	2,095	4.1	%
Fixed income funds	157	167	-6.0	%
Total EAM managed net assets	2,337	2,262	3.3	%
Daily Income Fund managed by Reich & Tang Asset Management LLC (“Reich & Tang”)	50	56	-10.7	%
Total net assets	\$2,387	\$2,318	3.0	%

Shares of the variable annuity funds, 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).

## EAM Trust - Results of operations before distribution to interest holders

The overall results of EAM’s investment management operations during the six months ended October 31, 2014, before interest holder distributions, include total investment management fees earned from the Value Line Funds of \$7,477,000, 12b-1 fees and other fees of \$2,709,000 and other income of \$9,000. For the same period, total investment management fee waivers for the Value Line Core Bond Fund were \$69,000 and 12b-1 fee waivers for six Value Line Funds were \$769,000. During the six months ended October 31, 2014, EAM’s net income was \$670,000 after giving effect to Value Line’s non-voting revenues interest of \$3,636,000, but before distributions to voting profits interest holders and to the Company in respect of its 50% non-voting profits interest.

The overall results of EAM’s investment management operations during the six months ended October 31, 2013, before interest holder distributions, include total investment management fees earned from the Value Line Funds of \$7,065,000, 12b-1 fees and other fees of \$2,413,000 and other income of \$10,000. For the same period, total investment management fee waivers for the Value Line Core Bond Fund were \$47,000 and 12b-1 fee waivers for eight Value Line Funds were \$902,000. During the six months ended October 31, 2013, EAM’s net income was \$724,000 after giving effect to Value Line’s non-voting revenues interest of \$3,261,000, but before distributions to voting profits interest holders and to the Company in respect of its 50% non-voting profits interest.

As of October 31, 2014, six of the Value Line Funds have all or a portion of the 12b-1 fees being waived, and one fund has partial investment management fee waivers in place. Fee waivers for certain of the Value Line Funds including all of the 12b-1 fees being waived cannot be recouped. 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 August 1, 2013, EULAV Securities began to receive additional 12b-1 revenues from select Value Line Funds. Waivers were removed or reduced on two funds, in an effort to continue to expand the marketing programs.

The Value Line equity and hybrid funds' assets represent 72.6%, variable annuity funds issued by GIAC represent 20.7%, and fixed income fund assets represent 6.7%, respectively, of total fund assets under management ("AUM") as of October 31, 2014. At October 31, 2014, equity, hybrid and GIAC variable annuities AUM increased by 4.1% and fixed income AUM decreased by 6.0% as compared to the prior fiscal year.

As of October 31, 2014, 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 Charles Schwab & Co., Inc., Fidelity, Pershing and E-Trade.

In a strong market environment, performance of some Value Line Funds slightly lagged competitors' in fiscal 2015. One of the eight equity and hybrid funds is in the top quartile of its peer group for one year while three of the eight are in the top quartile for the three year period according to Lipper. At this time last year, two were in the top quartile for one year and five were in the top quartile for three years.

Value Line equity funds continue to be recognized for both their excellent performance and lower-risk profile. Value Line Funds are now widely found at hundreds of broker/dealers, registered investment advisors ("RIAs") and retirement plans. The Value Line Asset Allocation Fund which reached \$200 million in assets in October 2013 continues to be on the Schwab Mutual Fund OneSource Select List® since 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. The Value Line Asset Allocation Fund was also added to the Schwab Select List Advisor Edition™ for the fourth calendar quarter of 2013 providing even more exposure. The Value Line Asset Allocation Fund is the only fund in Morningstar's Aggressive Allocation category (out of 124 funds) to have top 20% performance for the 3, 5, 10, and 15 year periods with "Overall Below Average" risk as of September 30, 2013. During the fiscal quarter ended October 31, 2013, the Value Line Small Cap Opportunities Fund was added to a select list at Lincoln Financial. For the ten year period ended December 31, 2013, the Value Line Small Cap Opportunities Fund outperformed both the Morningstar Small Growth and Mid-Cap Growth category averages and did so with 16% and 8% less risk, as measured by standard deviation, respectively. In Kiplinger's annual mutual fund rankings published in September 2013, three funds, Asset Allocation and Small Cap, both were ranked as top 10 performers for varying periods. The Value Line Small Cap Opportunities Fund remains a "Fund Pick" at Fidelity®. At the end of September 2014, Fidelity added the Value Line Income and Growth Fund as a Fidelity Pick, their version of a select list. The Value Line Income and Growth Fund outperformed the Morningstar Moderate Allocation Funds Category for the 1, 3, 5 and 10 years periods ended September 30, 2014, and did so with Overall "Below Average" risk according to Morningstar. Only 5% of funds in the Morningstar Moderate Allocation Funds Category hold this impressive statistic. During August 2014, the Value Line Funds participated as a sponsor of Schwab ICON conference for its branch owners. The sponsorship helped get the Value Line Funds in front of the key branch leaders and senior Schwab management. In addition Value Line Funds sponsored regional events with Schwab for their RIAs, client advisers, and internal representatives.

During October 2012, the US Government Money Market Fund ("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 former Value Line USGMMF in connection with the low interest rate economic environment. In addition, the merger of the USGMMF eliminated the cost of administration and fund accounting.

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

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 interest in EAM as follows:

(\$ in thousands)	Three Months Ended October 31,				Six Months Ended October 31,			
	2014	2013	Change		2014	2013	Change	
Non-voting revenues interest	\$1,803	\$1,663	8.4	%	\$3,636	\$3,261	11.5	%
Non-voting profits interest	146	191	-23.6	%	335	362	-7.5	%
	\$1,949	\$1,854	5.1	%	\$3,971	\$3,623	9.6	%

During the six months ended October 31, 2014, the Company recorded revenues of \$3,971,000, consisting of \$3,636,000, from its non-voting revenues interest in EAM and \$335,000, from its non-voting profits interest in EAM without incurring any directly related expenses. During the six months ended October 31, 2013, the Company recorded revenues of \$3,623,000, consisting of \$3,261,000, from its non-voting revenues interest in EAM and \$362,000, from its non-voting profits interest in EAM.

#### Value Line operating expenses

(\$ in thousands)	Three Months Ended October 31,				Six Months Ended October 31,			
	2014	2013	Change		2014	2013	Change	
Advertising and promotion	\$1,378	\$1,115	23.6	%	\$2,353	\$2,158	9.0	%
Salaries and employee benefits	3,839	3,965	-3.2	%	7,954	7,865	1.1	%
Production and distribution	1,759	1,519	15.8	%	3,399	3,061	11.0	%
Office and administration	1,239	1,768	-29.9	%	2,517	3,766	-33.2	%
Total expenses	\$8,215	\$8,367	-1.8	%	\$16,223	\$16,850	-3.7	%

Expenses within the Company are categorized into advertising and promotion, salaries and benefits, production and distribution, office and administration.

Operating expenses for the three and six months ended October 31, 2014, decreased \$152,000, or 1.8%, and \$627,000 or 3.7%, respectively, as compared to the prior fiscal year. The decrease in expenses resulted primarily from a \$1,004,000 decrease in rent expense.

#### Advertising and promotion

Advertising and promotion expenses during the three months ended October 31, 2014 increased \$263,000 or 23.6%, as compared to the second quarter last year, mainly due to a \$251,000 increase in direct mail costs with one less direct mail campaign in the second quarter of fiscal 2015 compared to fiscal 2014 offset by an increase in third-party client support expenses for digital products and in-house renewal solicitation costs.

Advertising and promotion expenses during the six months ended October 31, 2014 increased \$195,000 or 9.0%, as compared to the prior year period, mainly due to a \$51,000 increase in expenses for services related to improvements in retail marketing and brand awareness, a \$77,000 increase in third-party client support expenses, and in-house renewal solicitation costs which increased \$122,000.

#### Salaries and employee benefits

Salaries and employee benefits of \$3,839,000 during the three months ended October 31, 2014 were \$126,000 below second quarter last fiscal year primarily as a result of a decrease in the administrative and support personnel. Salaries and employee benefits of \$7,954,000 during the six months ended October 31, 2014 were \$89,000, above last fiscal year primarily as a result of an increase in the internal telemarketing staff and Institutional Sales department.

#### Production and distribution

Production and distribution expenses of \$1,759,000 and \$3,399,000, respectively, during the three and six months ended October 31, 2014 increased \$240,000 or 15.8% and \$338,000 or 11.0%, respectively, as compared to fiscal 2014. During the six months ended October 31, 2014, an increase of \$254,000 was attributable to 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 and a \$62,000 increase in conversion and maintenance fees for the Company's fulfillment system to accommodate our new product offerings. The increase in expenses was partially offset by a \$67,000 decrease in paper, printing and mailing costs due to the steady decline in the print subscribers as some migrate to digital services. The Company also renegotiated the printing and paper prices with various vendors.

#### Office and administration

The Company's move to new headquarters in the second quarter of fiscal 2014 resulted in a significant decrease in the Company's annual rental expenses for the New York City office facility under the sublease terms for the new office space between Value Line, Inc. and Citibank, with the office move also responsible in part for a decline in maintenance, taxes and utilities for our New York City headquarters. The rental expenses during the fiscal quarter ended October 31, 2013 included an additional one time overlapping rent of \$771,000 for the previously occupied office facilities during the short term lease extension which ended September 15, 2013.

Total office and administration expenses of \$1,239,000 and \$2,517,000, respectively, during the three and six months ended October 31, 2014 decreased 29.9% and 33.2%, respectively, as compared to the prior fiscal year. For the six months ended October 31, 2014, office and administration expenses included a \$1,004,000 decrease in rental expense at our New York City facility including the aforementioned \$771,000 rent savings, a decrease in real estate taxes, a decline of \$59,000 in utilities and maintenance expenses and a decrease of \$86,000 in website hosting fees that resulted from the termination of a third party vendor.

#### Income from Securities Transactions, net

During the six months ended October 31, 2014 the Company's income from securities transactions, net, which included primarily dividend income, was \$107,000, a \$35,000 increase over the prior fiscal year. There were no sales, or gains or losses from sales of equity securities during the six months ended October 31, 2014 and October 31, 2013.

#### Effective income tax rate

The overall effective income tax rate, as a percentage of pre-tax ordinary income for the six months ended October 31, 2014 and October 31, 2013 was 35.05% and 36.36%, respectively. The Company's annual effective tax rate may 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 by and settlements with tax authorities. The fluctuation in the effective income tax rate during fiscal 2015 is primarily attributable to the excess income tax accruals in past years that were resolved upon completion of the prior NYC and IRS audits and an increase in the dividends received deduction.

## Liquidity and Capital Resources

The Company had negative working capital, defined as current assets less current liabilities, of \$7,511,000 and \$8,790,000 as of October 31, 2014 and April 30, 2014, respectively. These amounts include short term unearned revenues of \$19,893,000 and \$21,490,000 reflected in total current liabilities at October 31, 2014 and April 30, 2014, respectively. Cash and short term securities were \$14,377,000 as of October 31, 2014 and \$15,014,000 as of April 30, 2014.

The Company's cash and cash equivalents include \$4,857,000 and \$5,482,000 at October 31, 2014 and April 30, 2014, respectively, invested primarily in Money Market Funds at brokers' accounts, which operate under Rule 2a-7 of the 1940 Act and invest primarily in short term U.S. government securities.

## Cash from operating activities

The Company's cash outflows from operating activities were \$261,000 and \$404,000 during the six months ended October 31, 2014 and October 31, 2013, respectively. The change in cash flows from fiscal 2014 to fiscal 2015 were primarily due to a \$1.8 million federal tax payment offset by the slowdown in the decline of unearned revenues as conversion and renewal subscription order activity increased, and the increase in collection of the accounts receivable.

## Cash from investing activities

The Company's cash inflows from investing activities were \$2,642,000 and \$767,000 during the six months ended October 31, 2014 and October 31, 2013, respectively. Cash inflows from investing activities for the six months ended October 31, 2014 were higher than the prior year primarily due to the Company's decision to reinvest in the inverse ETF securities available-for-sale during the prior fiscal year and increased receipts from EAM Trust from the Company's non-voting revenues interest and non-voting profits interest. The Company expects that investing activities should provide cash from continued receipts from its non-voting revenues and non-voting profits interests distributions from EAM.

## Cash from financing activities

The Company's cash outflows from financing activities were \$3,015,000 and \$3,308,000 during the six months ended October 31, 2014 and October 31, 2013, respectively. Cash outflows from financing activities for the six months ended October 31, 2014, were lower primarily due to the decrease in the repurchase of the Company's common stock under the September 19, 2012 board approved common stock repurchase program and slightly lower dividends paid as a result of the decrease in common shares outstanding. The Company expects financing activities to continue to include use of cash for dividend payments and treasury stock purchases 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 and does not anticipate making any borrowings during the next twelve months. As of October 31, 2014, retained earnings were \$34,257,000 and liquid assets were \$14,377,000.

## Seasonality

Our publishing revenues are comprised of subscriptions which are generally annual subscriptions, paid in advance. Our cash flows from operating activities are minimally seasonal in nature, primarily due to the timing of customer payments made for orders and subscription renewals.

#### Off-balance sheet arrangements

We are not a party to any off-balance sheet arrangements, other than operating leases entered into in the ordinary course of business.

#### Recent Accounting Pronouncements

None

#### Critical Accounting Estimates and Policies

The Company prepares its Consolidated Condensed 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 Condensed Financial Statements.

### Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

#### Market Risk Disclosures

The Company's Consolidated Condensed Balance Sheets include 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

At October 31, 2014, the Company did not have investments in securities with fixed maturities and therefore did 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 October 31, 2014 and April 30, 2014 the aggregate cost of the equity securities classified as available-for-sale, which consist of investments in the iShares Dow Jones Select Dividend Index (DXY), 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 \$8,871,000 and \$8,847,000 and the market value was \$9,223,000 and \$9,226,000, respectively.

(\$ in thousands)				Estimated Fair Value after	Hypothetical Percentage Increase	
		Fair Value	Hypothetical Price Change	Hypothetical Change in Prices	(Decrease) in Shareholders' Equity	
Equity Securities						
As of October 31, 2014	Equity Securities and ETFs held for dividend yield	\$5,580	30% increase	\$ 7,255	3.17	%
			30% decrease	3,906	-3.17	%
As of October 31, 2014	Inverse ETF Holdings	3,643	30% increase	2,550	-2.07	%
			30% decrease	4,736	2.07	%
As of October 31, 2014	Total	\$9,223	30% increase	\$ 9,805	1.10	%
			30% decrease	\$ 8,642	-1.10	%

(\$ in thousands)				Estimated Fair Value after	Hypothetical Percentage Increase	
		Fair Value	Hypothetical Price Change	Hypothetical Change in Prices	(Decrease) in Shareholders' Equity	
Equity Securities						
As of April 30, 2014	Equity Securities and ETFs held for dividend yield	\$5,292	30% increase	\$ 6,880	3.10	%
			30% decrease	3,704	-3.10	%
As of April 30, 2014	Inverse ETF Holdings	3,934	30% increase	2,754	-2.30	%
			30% decrease	5,114	2.30	%
As of April 30, 2014	Total	\$9,226	30% increase	\$ 9,634	0.80	%
			30% decrease	\$ 8,818	-0.80	%

#### Item 4. CONTROLS AND PROCEDURES

(a) 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 Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

The Company's management has evaluated, with the participation of the Company's Principal Executive Officer and Principal Financial Officer, the effectiveness of the Company's disclosure controls and procedures, (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) The registrant's Principal Executive Officer and Principal Financial Officer have determined that there have been no changes in the registrant's internal control over financial reporting that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

#### Part II – OTHER INFORMATION

##### Item 1. Legal Proceedings

None.

##### Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A – Risk Factors in the Company's Annual Report on Form 10-K for the year ended April 30, 2014 filed with the SEC on July 21, 2014.

##### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

###### (c) 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 quarter ended October 31, 2014. All purchases listed below were made in the open market at prevailing market prices.

#### ISSUER PURCHASES OF EQUITY SECURITIES

(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans
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			Plans or Programs	or Programs
August 1 - 31, 2014	-	-	-	\$ 2,225,000
September 1 - 30, 2014	2,008	\$ 14.44	2,008	\$ 2,197,000
October 1 - 31, 2014	-	-	-	\$ 2,197,000
Fiscal Quarter	2,008	\$ 14.44	2,008	\$ 2,197,000

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All shares represent shares repurchased pursuant to authorization of the Board of Directors. On September 19, 2012, the Company's Board of Directors authorized 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 price of \$3,000,000.

Item 5. Other Information

None.

Item 6. Exhibits

- 31.1 Certificate of Principal Executive Officer Required Under Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certificate of Principal Financial Officer Required Under Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Joint Principal Executive Officer/Principal Financial Officer Certificate Required Under Section 906 of the Sarbanes-Oxley Act of 2002.
- 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

VALUE LINE, INC.

Signatures

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

Value Line, Inc.  
(Registrant)

By: /s/ Howard A. Brecher

Howard A. Brecher  
Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Stephen R. Anastasio

Stephen R. Anastasio  
Vice President & Treasurer  
(Principal Financial Officer)

Date: December 12, 2014