

VALUE LINE INC
Form 10-Q
September 09, 2016
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 July 31, 2016

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.)

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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

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.

| <u>Class</u> | <u>Outstanding at August 25, 2016</u> |
|---------------------------------------|---------------------------------------|
| <u>Common stock, \$0.10 par value</u> | <u>9,721,725 Shares</u> |

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)

| | July 31, 2016 (unaudited) | April 30, 2016 |
|---|--|-------------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents (including short term investments of \$19,846 and \$12,037, respectively) | \$ 21,395 | \$13,122 |
| Securities available-for-sale | 3,875 | 3,637 |
| Accounts receivable, net of allowance for doubtful accounts of \$21 and \$22, respectively | 1,482 | 1,254 |
| Prepaid and refundable income taxes | 51 | 126 |
| Prepaid expenses and other current assets | 1,512 | 1,381 |
| Deferred income taxes | 96 | 432 |
| Total current assets | 28,411 | 19,952 |
| Long term assets: | | |
| Investment in EAM Trust | 58,123 | 57,942 |
| Property and equipment, net | 623 | 3,621 |
| Capitalized software and other intangible assets, net | 3,890 | 4,992 |
| Total long term assets | 62,636 | 66,555 |
| Total assets | \$ 91,047 | \$86,507 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 1,905 | \$2,669 |
| Accrued salaries | 1,136 | 1,066 |
| Dividends payable | 1,653 | 1,659 |
| Accrued taxes on income | 3,617 | 388 |
| Unearned revenue | 19,316 | 20,516 |
| Total current liabilities | 27,627 | 26,298 |
| Long term liabilities: | | |
| Unearned revenue | 4,283 | 4,926 |
| Deferred income taxes | 20,213 | 20,683 |

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| | | |
|--|------------------|-----------------|
| Total long term liabilities | 24,496 | 25,609 |
| Total liabilities | 52,123 | 51,907 |
| Shareholders' Equity: | | |
| Common stock, \$0.10 par value; authorized 30,000,000 shares; issued 10,000,000 shares | 1,000 | 1,000 |
| Additional paid-in capital | 991 | 991 |
| Retained earnings | 40,229 | 35,524 |
| Treasury stock, at cost (276,125 and 243,411 shares, respectively) | (3,575) | (3,040) |
| Accumulated other comprehensive income, net of tax | 279 | 125 |
| Total shareholders' equity | 38,924 | 34,600 |
| Total liabilities and shareholders' equity | \$ 91,047 | \$86,507 |

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 July 31, | |
|--|--|----------------|
| | 2016 | 2015 |
| Revenues: | | |
| Investment periodicals and related publications | \$7,650 | \$8,184 |
| Copyright data fees | 871 | 648 |
| Total publishing revenues | 8,521 | 8,832 |
| Gain on sale of operating facility | 8,123 | - |
| Total revenues | 16,644 | 8,832 |
| Expenses: | | |
| Advertising and promotion | 908 | 984 |
| Salaries and employee benefits | 3,908 | 3,779 |
| Production and distribution | 2,474 | 1,965 |
| Office and administration | 1,217 | 1,145 |
| Total expenses | 8,507 | 7,873 |
| Income from operations | 8,137 | 959 |
| Revenues and profits interests in EAM Trust | 1,916 | 2,042 |
| Income from securities transactions, net | 33 | 51 |
| Income before income taxes | 10,086 | 3,052 |
| Income tax provision | 3,728 | 933 |
| Net income | \$6,358 | \$2,119 |
| Earnings per share, basic & fully diluted | \$0.65 | \$0.22 |
| Weighted average number of common shares | 9,739,355 | 9,803,734 |

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
July 31,
2016 2015**

| | | |
|--|----------------|----------------|
| Net income | \$6,358 | \$2,119 |
| Other comprehensive income (loss), net of tax: | | |
| Change in unrealized gains on securities, net of taxes | 154 | (92) |
| Other comprehensive income (loss) | 154 | (92) |
| Comprehensive income | \$6,512 | \$2,027 |

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 Three Months Ended July 31, | |
|---|--|----------------|
| | 2016 | 2015 |
| Cash flows from operating activities: | | |
| Net income | \$6,358 | \$2,119 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 1,449 | 710 |
| Non-voting revenues interest in EAM Trust | (1,787) | (1,902) |
| Non-voting profits interest in EAM Trust | (129) | (140) |
| Realized gain on sale of operating facility | (8,123) | - |
| Deferred income taxes | (174) | (163) |
| Deferred rent | (50) | (50) |
| Other, net | (15) | (15) |
| Changes in operating assets and liabilities: | | |
| Unearned revenue | (1,843) | (975) |
| Accounts payable & accrued expenses | (714) | (98) |
| Accrued salaries | 70 | (7) |
| Accrued taxes on income | 3,185 | 1,001 |
| Prepaid and refundable income taxes | 75 | 1 |
| Prepaid expenses and other current assets | (131) | 177 |
| Accounts receivable | (228) | 34 |
| Total adjustments | (8,415) | (1,427) |
| Net cash provided by (used in) operating activities | (2,057) | 692 |
| Cash flows from investing activities: | | |
| Purchases of securities classified as available-for-sale | - | (138) |
| Distributions received from EAM Trust | 1,750 | 1,951 |
| Proceeds from sale of operating facility | 11,555 | - |
| Acquisition of property and equipment | (515) | - |
| Expenditures for capitalized software | (266) | (518) |
| Net cash provided by investing activities | 12,524 | 1,295 |
| Cash flows from financing activities: | | |
| Purchase of treasury stock at cost | (535) | (166) |
| Dividends paid | (1,659) | (1,472) |
| Net cash used in financing activities | (2,194) | (1,638) |

| | | |
|---|----------|---------|
| Net change in cash and cash equivalents | 8,273 | 349 |
| Cash and cash equivalents at beginning of year | 13,122 | 5,874 |
| Cash and cash equivalents at end of period | \$21,395 | \$6,223 |

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 Three Months Ended July 31, 2016

(in thousands, except share amounts)

(unaudited)

| | Common stock | | Additional | Treasury stock | | Retained | Accumulated | Total |
|--|--------------|----------|---------------------|----------------|------------|----------|----------------------------------|----------|
| | Shares | Amount | paid-in- capital | Shares | Amount | earnings | other comprehensive income | |
| Balance at April 30, 2016 | 10,000,000 | \$ 1,000 | \$ 991 | (243,411) | \$(3,040) | \$35,524 | \$ 125 | \$34,600 |
| Net income | | | | | | 6,358 | | 6,358 |
| Change in unrealized gains on securities, net of taxes | | | | | | | 154 | 154 |
| Purchase of treasury stock | | | | (32,714) | (535) | | | (535) |
| Dividends declared | | | | | | (1,653) | | (1,653) |
| Balance at July 31, 2016 | 10,000,000 | \$ 1,000 | \$ 991 | (276,125) | \$(3,575) | \$40,229 | \$ 279 | \$38,924 |

Dividends declared per common share were \$0.17 for the three months ending July 31, 2016.

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 Three Months Ended July 31, 2015

(in thousands, except share amounts)

(unaudited)

| | Common stock | | Additional | Treasury stock | | Retained | Accumulated | Total |
|--|--------------|----------|---------------------|----------------|------------|-----------|---|-----------|
| | Shares | Amount | paid-in- capital | Shares | Amount | earnings | other comprehensive income/(loss) | |
| Balance at April 30, 2015 | 10,000,000 | \$ 1,000 | \$ 991 | (190,504) | \$(2,244) | \$ 34,587 | \$ 105 | \$ 34,439 |
| Net income | | | | | | 2,119 | | 2,119 |
| Change in unrealized gains on securities, net of taxes | | | | | | | (92) | (92) |
| Purchase of treasury stock | | | | (12,237) | (166) | | | (166) |
| Dividends declared | | | | | | (1,568) | | (1,568) |
| Balance at July 31, 2015 | 10,000,000 | \$ 1,000 | \$ 991 | (202,741) | \$(2,410) | \$ 35,138 | \$ 13 | \$ 34,732 |

Dividends declared per common share were \$0.16 for the three months ending July 31, 2015.

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

Value Line, Inc.

Notes to Consolidated Condensed Financial Statements

July 31, 2016

(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 Company maintains a significant investment in the Eulav Asset Management LLC ("EAM") from which it received non-voting revenues interest and a non-voting profits interests. EAM was established to provide investment management services to the Value Line Mutual Funds ("Value Line Funds" or the "Funds"). 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.

The Consolidated Condensed Balance Sheets as of July 31, 2016 and April 30, 2016, 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, 2016 filed with the SEC on July 15, 2016 (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 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

July 31, 2016

(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"). 100% of the Revenues Interest and not less than 90% of the Profits Interest are to be distributed each quarter to all interest holders of EAM, including Value Line. 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. 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 and investments in equity securities including Exchange traded funds ("ETFs") 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. 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 Securities and Exchange 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:

| | As of July 31, 2016 | | | |
|-------------------|---------------------|---------|---------|-------|
| (\$ in thousands) | Level 1 | Level 2 | Level 3 | Total |

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| | | | | |
|-------------------------------|----------|------|------|----------|
| Cash equivalents | \$19,846 | \$ - | \$ - | \$19,846 |
| Securities available-for-sale | 3,875 | - | - | 3,875 |
| | \$23,721 | \$ - | \$ - | \$23,721 |

Value Line, Inc.**Notes to Consolidated Condensed Financial Statements****July 31, 2016**

(Unaudited)

| (\$ in thousands) | As of April 30, 2016 | | | Total |
|-------------------------------|----------------------|---------|---------|----------|
| | Level 1 | Level 2 | Level 3 | |
| Cash equivalents | \$12,037 | \$ - | \$ - | \$12,037 |
| Securities available-for-sale | 3,637 | - | - | 3,637 |
| | \$15,674 | \$ - | \$ - | \$15,674 |

The Company had no other financial instruments such as futures, forwards and swap contracts. For the periods ended July 31, 2016 and April 30, 2016, 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 July 31, 2016, 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 July 31, 2016 and April 30, 2016, cash equivalents included \$19,846,000 and \$12,037,000, respectively, for amounts invested 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 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 included as current assets on the Consolidated Condensed Balance Sheets.

Equity Securities:

Equity securities classified as available-for-sale on the Consolidated Condensed Balance Sheets, consist of ETFs held for dividend yield that attempt to replicate the performance of certain equity indexes and ETFs that hold preferred shares primarily of financial institutions.

As of July 31, 2016 and April 30, 2016, the aggregate cost of the equity securities classified as available-for-sale, which consist of investments in the SPDR Series Trust S&P Dividend ETF (SDY), First Trust Value Line Dividend Index ETF (FVD), PowerShares Financial Preferred ETF (PGF) and Proshares Trust S&P 500 Dividend (NOBL) was \$3,445,000, and the fair value was \$3,875,000 and \$3,637,000, respectively.

There were no sales or proceeds from sales of equity securities during the three months ended July 31, 2016 and July 31, 2015. The increase in gross unrealized gains on equity securities classified as available-for-sale of \$238,000, net of deferred taxes of \$84,000 was included in Shareholders' Equity at July 31, 2016. The decrease in gross unrealized gains on equity securities classified as available-for-sale of \$142,000, net of deferred taxes of \$50,000 was included in Shareholders' Equity at July 31, 2015.

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 July 31, 2016 and April 30, 2016, accumulated other comprehensive income included unrealized gains of \$430,000 and \$192,000, net of deferred taxes of \$151,000 and \$67,000, respectively.

Value Line, Inc.**Notes to Consolidated Condensed Financial Statements****July 31, 2016**

(Unaudited)

The carrying value and fair value of securities available-for-sale at July 31, 2016 were as follows:

| (\$ in thousands) | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|-------------------|---------|------------------------------|-------------------------------|---------------|
| ETFs - equities | \$3,445 | \$ 430 | \$ - | \$3,875 |

The carrying value and fair value of securities available-for-sale at April 30, 2016 were as follows:

| (\$ in thousands) | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|-------------------|---------|------------------------------|-------------------------------|---------------|
| ETFs - equities | \$3,445 | \$ 194 | \$ (2) | \$3,637 |

Income from Securities Transactions:

Income from securities transactions was comprised of the following:

| (\$ in thousands) | Three Months Ended July 31, 2016 2015 | |
|-------------------|---|-------|
| Dividend income | \$24 | \$ 43 |
| Interest income | - | - |
| Other | 9 | 8 |

Total income from securities transactions, net \$33 \$ 51

Investment in Unconsolidated Entities:

Equity Method Investment:

As of July 31, 2016 and April 30, 2016, the Company's investment in EAM Trust, on the Consolidated Condensed Balance Sheets was \$58,123,000 and \$57,942,000, respectively.

The value of VLI's investment in EAM at July 31, 2016 and April 30, 2016 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.

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 2017 or 2016.

Value Line, Inc.**Notes to Consolidated Condensed Financial Statements****July 31, 2016**

(Unaudited)

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

| (\$ in thousands) (unaudited) | Three Months Ended July 31, | |
|---|--------------------------------|---------|
| | 2016 | 2015 |
| Investment management fees earned from the Value Line Funds, net of fee waivers | \$3,637 | \$3,838 |
| 12b-1 fees and other fees, net of fee waivers | \$1,443 | \$1,396 |
| Other income (loss) | \$63 | \$(9) |
| Investment management fee waivers (1) | \$81 | \$47 |
| 12b-1 fee waivers (1) | \$233 | \$371 |
| Value Line's non-voting revenues interest | \$1,787 | \$1,902 |
| EAM's net income (2) | \$258 | \$280 |

(1) During fiscal 2017 and 2016 investment management fee waivers primarily related to the Value Line Core Bond Fund and the 12b-1 fee waivers related to four of the Value Line Mutual Funds.

(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) | July 31, 2016 (unaudited) | April 30, 2016 |
|-----------------------------|---------------------------------|----------------------|
| EAM's total assets | \$ 60,955 | \$60,292 |
| EAM's total liabilities (1) | (3,627) | (3,021) |
| EAM's total equity | \$ 57,328 | \$57,271 |

(1) At July 31, 2016 and April 30, 2016, EAM's total liabilities included a payable to VLI for its accrued non-voting revenues, interest and the 90% distributable share of its non-voting profits interest of \$1,903,000 and \$1,750,000, 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.

| (\$ in thousands) | VIE Assets | Value Line Investment in EAM Trust (1) | Liabilities | Maximum Exposure to Loss |
|---------------------------------|---------------|--|-------------|--------------------------------|
| As of July 31, 2016 (unaudited) | \$60,955 | \$58,123 | \$ - | \$ 58,123 |

As of April 30, 2016 \$60,292 \$57,942 \$ - \$ 57,942

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

Value Line, Inc.**Notes to Consolidated Condensed Financial Statements****July 31, 2016**

(Unaudited)

Note 4 - Supplementary Cash Flow Information:

| | Three Months Ended July 31, | |
|---|--------------------------------------|-------|
| (\$ in thousands) | 2016 | 2015 |
| State and local income tax payments | \$375 | \$ 93 |
| Federal income tax payments to the Parent | \$268 | \$ - |

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 three months ended July 31, 2016 and July 31, 2015, the estimated profit sharing plan contributions, which are included as expenses in salaries and employee benefits in the Consolidated Condensed Statements of Income, were \$108,000 and \$100,000, 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.

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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 July 31, 2016 and July 31, 2015, 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. The change in valuation of these securities, net of deferred income taxes, has been recorded in accumulated other comprehensive income in the Company's Consolidated Condensed Balance Sheets.

The components of comprehensive income included in the Consolidated Condensed Statements of Income and Changes in Shareholders' Equity for the three months ended July 31, 2016 are as follows:

| (\$ in thousands) | Amount | | Amount |
|--|--------|--------------|--------|
| | Before | Tax | Net of |
| | | Benefit | |
| | Tax | <th>Tax</th> | Tax |
| Change in unrealized gains on securities | \$ 238 | \$ (84) | \$ 154 |
| | \$ 238 | \$ (84) | \$ 154 |

The components of comprehensive income included in the Consolidated Condensed Statements of Income and Changes in Shareholders' Equity for the three months ended July 31, 2015 are as follows:

| (\$ in thousands) | Amount | | Amount |
|--|-----------|--------------|----------|
| | Before | Tax | Net of |
| | | Provision | |
| | Tax | <th>Tax</th> | Tax |
| Change in unrealized gains on securities | \$ (142) | \$ 50 | \$ (92) |
| | \$ (142) | \$ 50 | \$ (92) |

Note 7 - Related Party Transactions:

Investment Management (overview):

The Company has substantial non-voting revenues and non-voting profits interests in EAM, the asset manager to the Value Line Mutual Funds. Accordingly, the Company does not report this operation as a separate business segment, although it 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 July 31, 2016, were \$2.32 billion, 1.4% below total assets of \$2.35 billion in the Value Line Funds managed and/or distributed by EAM at July 31, 2015.

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. Distribution is not less than 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 49.45% during the first quarter of fiscal 2017 and 50.05% during the first quarter of fiscal 2016.

Value Line, Inc.**Notes to Consolidated Condensed Financial Statements****July 31, 2016**

(Unaudited)

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:

| (\$ in thousands) | Three Months Ended July 31, | |
|-------------------------------------|--------------------------------|---------|
| | 2016 | 2015 |
| Non-voting revenues interest in EAM | \$1,787 | \$1,902 |
| Non-voting profits interest in EAM | 129 | 140 |
| | \$1,916 | \$2,042 |

At July 31, 2016, the Company's investment in EAM includes a receivable of \$1,903,000 representing the quarterly distribution of 100% of the non-voting revenues share and 90% of its non-voting profits share.

Transactions with Parent:

During the three months ended July 31, 2016 and July 31, 2015, the Company was reimbursed \$84,000 and \$31,000, respectively, for payments it made on behalf of and for services the Company provided to the Parent. There were no receivables from the Parent on the Consolidated Condensed Balance Sheets at July 31, 2016 and April 30, 2016.

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 \$268,000 to the Parent during the three months ended July 31, 2016. The Company made no federal tax payments to the Parent during the three months ended

July 31, 2015.

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 July 31, 2016, the Parent owned 88.8% 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:

| (\$ in thousands) | Three Months Ended July 31, | |
|---------------------------------|--------------------------------|---------|
| | 2016 | 2015 |
| Current tax expense: | | |
| Federal | \$3,577 | \$1,024 |
| State and local | 325 | 72 |
| Current tax expense | 3,902 | 1,096 |
| Deferred tax expense (benefit): | | |
| Federal | (189) | (12) |
| State and local | 15 | (151) |
| Deferred tax expense (benefit): | (174) | (163) |
| Income tax provision | \$3,728 | \$933 |

Value Line, Inc.**Notes to Consolidated Condensed Financial Statements****July 31, 2016**

(Unaudited)

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:

| | July 31, 2016 | April 30, 2016 |
|---|---------------------|----------------------|
| (\$ in thousands) | | |
| Federal tax benefit (liability): | | |
| Unrealized gains on securities available-for-sale | \$(239) | \$(68) |
| Capital loss carryforward | - | 86 |
| Operating lease deferred obligation | 41 | 58 |
| Deferred professional fees | 17 | 77 |
| Deferred charges | 249 | 250 |
| Total federal tax benefit | 68 | 403 |

State and local tax benefits:

| | | |
|------------------------------------|------|-------|
| Other | 28 | 29 |
| Total state and local tax benefits | 28 | 29 |
| Deferred tax asset, short term | \$96 | \$432 |

| | July 31, 2016 | April 30, 2016 |
|--|------------------|----------------------|
| (\$ in thousands) | | |
| Federal tax liability (benefit): | | |
| Deferred gain on deconsolidation of EAM | \$17,726 | \$17,679 |
| Deferred non-cash post-employment compensation | (619) | (619) |
| Depreciation and amortization | 1,454 | 1,812 |
| Other | (120) | 8 |
| Total federal tax liability | 18,441 | 18,880 |

State and local tax liabilities (benefits):

| | | |
|--|-------|-------|
| Deferred gain on deconsolidation of EAM | 1,702 | 1,704 |
| Deferred non-cash post-employment compensation | (60) | (60) |
| Depreciation and amortization | 140 | 174 |

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| | | |
|---------------------------------------|----------|----------|
| Other | (10) | (15) |
| Total state and local tax liabilities | 1,772 | 1,803 |
| Deferred tax liability, long term | \$20,213 | \$20,683 |

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 rates, as a percentage of pre-tax ordinary income for the three months ended July 31, 2016 and July 31, 2015 were 36.96% and 30.57%, respectively. The Company's annual effective tax rate will change due to a number of factors including but not limited to an increase or decrease in the ratio of items that do not have tax consequences to pre-tax income, the Company's geographic profit mix between tax jurisdictions, taxation method adopted by each locality, new tax laws, new interpretations of existing tax laws and rulings and settlements with tax authorities. The fluctuation in the effective income tax rate during fiscal 2017 is primarily attributable to the attribution of 100% of the gain on the sale of the Company's operating facility to one tax jurisdiction and partially to the effect from the scheduled reduction in the allocation factors on the state and local current and deferred tax liability (primarily associated with the gain on deconsolidation of EAM), and the dividend 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:

| | Three Months Ended July 31, | |
|---|--------------------------------|---------|
| | 2016 | 2015 |
| U.S. statutory federal tax rate | 35.00 % | 35.00 % |
| Increase (decrease) in tax rate from: | | |
| State and local income taxes, net of federal income tax benefit | 1.99 % | -3.57 % |
| Effect of dividends received deductions | -0.06 % | -0.32 % |
| Domestic production tax credit | 0.00 % | -0.63 % |
| Other, net | 0.03 % | 0.09 % |
| Effective income tax rate | 36.96 % | 30.57 % |

The Company believes that, as of July 31, 2016, there were no material uncertain tax positions that would require disclosure to GAAP.

Value Line, Inc.**Notes to Consolidated Condensed Financial Statements****July 31, 2016**

(Unaudited)

The Company is included in the consolidated federal income tax return of the Parent, and beginning with the fiscal year ended April 30, 2017, will file combined tax returns with the Parent on a unitary basis in certain states as a result of changes in state tax regulations.

The Company's federal income tax returns (included in the Parent's consolidated returns) and state and city tax returns for fiscal years ended 2013 through 2016, are subject to examination by the tax authorities, generally for three years after they are filed with the tax authorities. The Company favorably concluded certain tax audits during the third quarter of fiscal 2016 that provided the recognition of tax benefits resulting from a favorable outcome. The Company is presently engaged in a state tax audit, but does not expect it to have a material effect on the 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:

| | July 31, | April |
|---|----------|----------|
| (\$ in thousands) | 2016 | 30, |
| | | 2016 |
| Land | \$- | \$726 |
| Building and leasehold improvements | 324 | 5,190 |
| Furniture and equipment | 3,641 | 4,156 |
| | 3,965 | 10,072 |
| Accumulated depreciation and amortization | (3,342) | (6,451) |
| Total property and equipment, net | \$623 | \$3,621 |

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 \$266,000 and \$518,000 related to the development of software for internal use for the three months ended July 31, 2016 and 2015, respectively. Capitalized software includes \$155,000 and \$375,000 of internal costs to develop software and \$111,000 and \$143,000 of third party programmers' costs for the three months ended July 31, 2016, and July 31, 2015, respectively. Such costs are capitalized and amortized over the expected useful life of the asset which is 3 to 5 years. Total amortization expenses for the three months ended July 31, 2016 and July 31, 2015, were \$1,368,000 and \$635,000, 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.

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, 2016 (1)(2) | 243,411 | \$ 3,040 | \$ 12.49 | \$ 1,350 |
| Purchases effected in open market during the quarters ended: | | | | |
| May 31, 2016 (2) | 7,820 | \$ 132 | \$ 16.90 | \$ 1,218 |
| June 30, 2016 (2) | 19,539 | \$ 313 | \$ 16.05 | \$ 905 |
| July 31, 2016 (2) | 5,355 | \$ 90 | \$ 16.85 | \$ 815 |
| Balance as of July 31, 2016 | 276,125 | \$ 3,575 | \$ 12.95 | \$ 815 |

(1) 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; 18,400 shares were acquired prior to January 2011.

(2) Were acquired during the \$3 million repurchase program authorized in September 2012.

Value Line, Inc.

Notes to Consolidated Condensed Financial Statements

July 31, 2016

(Unaudited)

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"). 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 received \$122,355 each year from sublandlord in March 2015 and in March 2016. 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 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.

On February 29, 2016, the Company's subsidiary Value Line Distribution Center ("VLDC") and Seagis Property Group LP (the "Landlord") entered into a lease agreement, pursuant to which VLDC has leased approximately 24,110 square feet of warehouse and appurtenant office space located at 205 Chubb Ave., Lyndhurst, NJ ("Building" or "Premises") beginning on May 1, 2016 and ending on April 30, 2024 ("Lease"). Base rent under the Lease is \$192,880 per annum payable in equal monthly installments on the first day of each month, in advance during fiscal 2017 and will gradually increase to \$237,218 in fiscal 2024, subject to customary increases based on operating costs and real estate taxes. The Company provided a security deposit in cash in the amount of \$32,146, which will be fully refunded after the Lease term expires. The lease is a net lease requiring the Company to pay for certain operating expenses associated with the Premises as well as utilities supplied to the Premises.

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 space, with remaining terms of one year or more, are as follows:

| Fiscal Years Ended April 30, | (\$ in thousands) |
|------------------------------|-------------------|
| 2018 | 199 |
| 2019 | 204 |
| 2020 | 211 |
| 2021 | 217 |
| 2022 and thereafter | 691 |
| | \$ 1,522 |

For the three months ended July 31, 2016 and 2015, rental expenses were \$365,000 and \$317,000, respectively.

Note 13 - Gain on Sale of Operating Facility:

On July 29, 2016, Value Line closed the sale of its 85,000 sq ft distribution, fulfillment and warehouse operating facility located at 125 East Union Avenue, East Rutherford, NJ, received net proceeds of \$11,555,000 and reported an increment to net profits after tax for the first quarter of fiscal 2017 of approximately \$5.28 million. The distribution, fulfillment and warehouse operations were recently relocated to an alternative 24,000 sq ft leased facility. (See Note 12 here to.)

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 attacks and natural disasters;
- locating suitable office space before expiration of the Company's current lease term;
- 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, 2016 and in Part II, Item 1A of this Quarterly Report on Form 10-Q for the period ended July 31, 2016; 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 its 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. Since December 23, 2010, EULAV Asset Management Trust ("EAM") provides the investment management services to the Value Line Funds, institutional and individual accounts and provides distribution, marketing, and administrative services to the Value Line® Mutual Funds ("Value Line Funds"). Value Line holds 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.

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 one segment called Publishing.

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. Distribution is not less than 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 49.45% during the first quarter of fiscal 2017 and 50.05% during the first quarter of fiscal 2016.

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

The nation's economy tuned in an uninspiring performance during the first half of this calendar year, with the U.S. gross domestic product gaining a scant 0.8% and 1.1%, respectively, during the first two quarters. In all, weak levels of business fixed investment (mostly from declining energy sector capital spending), selective weakness in government spending, and a further slide in worker productivity combined to largely offset another solid showing by consumers, who continued to spend at a reasonably good pace.

Looking out to the balance of the second calendar half, we are seeing reasonably decent levels of job creation, a modest pickup in wage growth, and a stable labor force participation rate. Such gradual improvement in the employment situation, along with ongoing resilience in housing, and additional likely gains in consumer spending should more than offset what are expected to be further struggles in business capital investment. The generally brighter outlook should help GDP expand by 2%, or more, in the third and fourth quarters. Thereafter, we would look for further gains, within the confines of what figures to remain a modest, albeit durable, business expansion.

Meanwhile, the global outlook is unsettled. Heading the list of problems off shore are the uncertain growth prospects in China (where that nation's maturing economy will almost certainly lead to progressively slower rates of growth), a poorly defined outlook in Europe (based on the recent vote by the United Kingdom to exit the European Union and other factors), and recurring bouts of violence and political unrest in the fractious, but oil rich, Middle East.

Finally, there are questions on the home front, headed by the fast-approaching Presidential election and the uncertain long-term approach by the Federal Reserve. Both are on the minds of investors. How these domestic and global issues are resolved will go a long way toward sustaining or reversing some of the continuing bull market gains.

Results of Operations for the Three Months Ended July 31, 2016 and July 31, 2015

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

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| (\$ in thousands, except earnings per share) | Three Months Ended July | | |
|---|-------------------------|---------|---------|
| | 2016 | 2015 | Change |
| Income from operations | \$8,137 | \$959 | 748.5 % |
| Revenues and profits interests from EAM Trust | \$1,916 | \$2,042 | -6.2 % |
| Income from operations plus non-voting revenues and non-voting profits interests from EAM Trust | \$10,053 | \$3,001 | 235.0 % |
| Gain on sale of operating facility (included in operating income) | \$8,123 | - | n/a |
| Operating expenses | \$8,507 | \$7,873 | 8.1 % |
| Income from securities transactions, net | \$33 | \$51 | -35.3 % |
| Income before income taxes | \$10,086 | \$3,052 | 230.5 % |
| Net income | \$6,358 | \$2,119 | 200.0 % |
| Earnings per share | \$0.65 | \$0.22 | 195.5 % |

During the three months ended July 31, 2016, the Company's net income of \$6,358,000, or \$0.65 per share, was \$4,239,000 or 200% above net income of \$2,119,000, or \$0.22 per share, for the three months ended July 31, 2015. During the three months ended July 31, 2016 there were 9,739,355 average common shares outstanding as compared to 9,803,734 average common shares outstanding during the three months ended July 31, 2015. Income from operations of \$8,137,000 for the three months ended July 31, 2016 which included additional depreciation and amortization expense of \$739,000 was \$7,178,000 above income from operations of \$959,000 for the three months ended July 31, 2015. During the first quarter of fiscal 2017 both net income and income from operations included a pre-tax gain of \$8,123,000 from the sale of the Company's operating facility for which it received proceeds of \$11,555,000 on July 29, 2016. The fulfillment and mailing operations housed within the facility were relocated to a leased facility within close proximity.

Total operating revenues

| (\$ in thousands) | Three Months Ended July | | |
|---|-------------------------|---------|---------|
| | 2016 | 2015 | Change |
| Investment periodicals and related publications: | | | |
| Print | \$3,602 | \$4,212 | -14.5 % |
| Digital | 4,048 | 3,972 | 1.9 % |
| Total investment periodicals and related publications | 7,650 | 8,184 | -6.5 % |
| Copyright data fees | 871 | 648 | 34.4 % |
| Gain on sale of operating facility | 8,123 | - | n/a |
| Total operating revenues | \$16,644 | \$8,832 | 88.5 % |

During the three months ended July 31, 2016 total publishing revenues from investment periodicals and related publications excluding copyright data fees were \$7,650,000, which is 6.5% below the total publishing revenues excluding copyright data fees of \$8,184,000 during the three months ended July 31, 2015. During the first quarter ended July 31, 2016, the Company's decrease in the publishing revenues was the result of 13 weeks of print revenues recorded in the first quarter of fiscal 2017 as compared to 14 weeks recorded in the first quarter of fiscal 2016.

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 associated with print and digital subscriptions.

Sources of subscription sales

| | Three Months Ended July | | | |
|------------------------------|-------------------------|---------|--------|---------|
| | 31, 2016 | | 2015 | |
| | Print | Digital | Print | Digital |
| New Sales | 14.9 % | 18.3 % | 11.0 % | 28.6 % |
| Conversion and Renewal Sales | 85.1 % | 81.7 % | 89.0 % | 71.4 % |
| Total Gross Sales | 100.0% | 100.0 % | 100.0% | 100.0 % |

During the three months ended July 31, 2016 new sales of print publications increased as a percent of the total gross print sales while conversion and renewal sales of print orders decreased from the prior fiscal year as a result of a slower decline in new print sales orders. New sales of digital publications decreased as a percent of the total gross digital sales as a result of less aggressive promotion to first-time customers at introductory prices. Conversion and renewal sales of digital orders increased over the prior fiscal year outpacing the decrease in new sales of digital orders as a result of increased efforts by our in-house Retail and Institutional Sales departments.

| | As of July 31, | As of April 30, | As of July 31, | Change | |
|---|-------------------|-----------------------|-------------------|----------------|----------------|
| (\$ in thousands) | 2016 | 2016 | 2015 | July-16 vs. | July-16 vs. |
| Unearned subscription revenue (current and long term liabilities) | \$23,599 | \$25,442 | \$25,072 | -7.2% | -5.9% |

Unearned subscription revenue as of July 31, 2016 is 5.9% below July 31, 2015 and is 7.2% below April 30, 2015. The decline from April 30, 2016, reflects both curtailed advertising for order generation and the fact that April 30th is the usual annual peak. Further, a certain amount of variation is to be expected due to the volume of new orders and timing of renewal orders, direct mail campaigns and large Institutional Sales orders.

Investment periodicals and related publications revenues

Investment periodicals and related publications revenues of \$7,650,000 decreased \$534,000, or 6.5%, for the three months ended July 31, 2016, 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 July 31, 2016 was 6.1% below total product line circulation at July 31, 2015. The Company has been successful in growing revenues from digitally-delivered investment periodicals within the institutional market. Institutional Sales generated total sales orders of \$2,762,000 for the three months ended July 31, 2016 which were 1%, above comparable total sales orders for the three months ended July 31, 2015. This growth continues a positive trend for Institutional Sales. We have also benefited from “converting” some customers from retail to the more robust professional priced services.

Digital publications revenues of \$4,048,000 during the three months ended July 31, 2016 were \$76,000 or 1.9% above the prior fiscal year. Revenues from institutional digital publications increased 3% as compared to the prior fiscal year. Digital publications revenues from retail subscribers decreased 1.0% as compared to the prior fiscal year.

Print publication revenues of \$3,602,000 decreased \$610,000 or 14.5% for the three months ended July 31, 2016 as compared to the prior fiscal year. Revenues from institutional print publications increased 3.3% while print publications revenues from retail subscribers decreased 17.1% for the three months ended July 31, 2016, as compared to the prior fiscal year. This includes the effect of 13 weeks of print revenues recorded in the first quarter of fiscal 2017 versus 14 weeks recorded in the first quarter of fiscal 2016. Total print circulation at July 31, 2016 was 9.3% below total print circulation at July 31, 2015.

The Company has relied more on its personnel selling efforts in both the institutional segment and retail retention and sales, as the ability to obtain orders profitably through traditional direct marketing plateaus. 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. Individual investors interested in digitally-delivered investment information have access to both free and subscription equity research from many sources. Continuing factors that have contributed to the decline in the retail digital investment periodicals and related publications revenues include competition in the form of free or low cost investment research on the Internet and research provided by brokerage firms at no direct cost to their clients. Further, there appears to be a relative decline in individuals' interest in holding specific stocks as compared with ETFs, mutual funds and participation in retirement plans. In order to address competition the Company has emphasized its lower-priced "starter" levels of service. Also many of the professional subscribers to the Company's digital and print retail products have been successfully converted to a higher priced Institutional product, with the peak impact of such movement probably behind us. The Company offers quality publications on mutual funds, but they have achieved only modest market share.

Value Line serves primarily individual and professional investors in stocks who pay, primarily on annual subscription plans, for basic services or as much as \$100,000 or more annually for comprehensive research, not obtainable elsewhere. The ongoing goal of adding new subscribers has led us to experiment with varying terms for our reliable, proprietary research including a period of intensive promotion of "starter" services and publications.

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 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 month periods ended July 31, 2016, the combined Ranking System “Rank 1 & 2” stocks’ increase of 17.0% outperformed the S&P 500 Index’s increase of 15.8% during the comparable period. For the twelve month period ended July 31, 2016, the combined Ranking System “Rank 1 & 2” stocks’ increase of 5.3% was slightly ahead of the S&P 500 Index’s increase of 5.1% during the comparable period.

During the three months ended July 31, 2016, copyright data fees of \$871,000 were 34.4% above the prior fiscal year. As of July 31, 2016, total third party sponsored assets were attributable to three contracts for copyright data representing \$2.4 billion in various products, as compared to four contracts for copyright data representing \$1.3 billion in assets at July 31, 2015.

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

Gain on sale of operating facility

On July 29, 2016, Value Line closed the sale of its 85,000 sq ft distribution, fulfillment and warehouse operating facility located at 125 East Union Avenue, East Rutherford, NJ, received proceeds of \$11,555,000 and reported an increment to net profits after tax for the first quarter of fiscal 2017 of approximately \$5.28 million. The distribution, fulfillment and warehouse operations were recently relocated to an alternative 24,000 sq ft leased facility.

Investment management fees and services – (unconsolidated)

The Company has a substantial non-voting revenues and non-voting profits interests in EAM, the asset manager to the Value Line Mutual Funds. The Company does not report this operation as a separate business segment, although it 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 July 31, 2016, were \$2.32 billion, which is \$32 million, or 1.4%, below total assets of \$2.35 billion in the Value Line Funds managed and/or distributed by EAM at July 31, 2015, reflecting market depreciation and the net redemptions over the past twelve months ended July 31, 2016.

The largest decline of \$33 million was in the Guardian channel. Shares of Value Line Strategic Asset Management Trust (“SAM”) and Value Line Centurion Fund (“Centurion”) are within certain variable annuity and variable life insurance contracts issued by The Guardian Insurance & Annuity Company, Inc. (“GIAC”); new contracts of this type are no longer sold. The two funds consequently continue to experience net redemptions.

Value Line Mutual Funds

| (\$ in millions) | As of July 31, | | |
|--|----------------|---------|--------|
| | 2016 | 2015 | Change |
| Variable annuity assets ("GIAC") | \$410 | \$443 | -7.4 % |
| All other open end equity and hybrid fund assets | 1,764 | 1,755 | 0.5 % |
| Total equity and hybrid funds | 2,174 | 2,198 | -1.1 % |
| Fixed income funds | 141 | 149 | -5.4 % |
| Total EAM managed net assets | \$2,315 | \$2,347 | -1.4 % |

The Daily Income Fund managed by Reich & Tang Asset Management LLC was liquidated on July 29, 2015. In fiscal 2016 and 2017 the Value Line Fund shareholders were provided a money market fund alternative investment managed by Federated Government Obligations Fund.

EAM has successfully broadened distribution, particularly within the Adviser/IBD channel. Over the past year, more than 500 financial advisers purchased Value Line Funds' shares for their clients for the first time, with over 3,000 advisers' clients now owning a Value Line Fund.

Starting fiscal 2016 the Core Bond Fund was modified to no longer waive 12b-1 fees, but to cap the overall fund's expense ratio, 12b-1 fee waivers were removed on the Asset Allocation Fund, and also a portion of the 12b-1 waivers were removed on the SAM and Centurion Funds.

In November 2015 four funds: the Small Cap Opportunities Fund, the Larger Companies Focused Fund, the Asset Allocation Fund, and the Income and Growth Fund launched a new Institutional Class of shares. With the creation of institutional shares EAM has the opportunity to place the Value Line Mutual Funds on distribution platforms that offer exclusively those funds shares that have eliminated all 12b-1 fees from their fee structure. The Small Cap Opportunities Fund and the Mid Cap Focused Fund were named "Category Kings" in *The Wall Street Journal* in calendar 2016.

EAM Trust - Results of operations before distribution to interest holders

The overall results of EAM's investment management operations during the three months ended July 31, 2016, before interest holder distributions, include total investment management fees earned from the Value Line Funds of \$3,637,000, 12b-1 fees and other fees of \$1,443,000 and other income of \$63,000 which is mark to market for the

seed capital relating to new fund launches and the institutional shares. For the same period, total investment management fee waivers were \$81,000 and 12b-1 fee waivers for four Value Line Funds were \$233,000. During the three months ended July 31, 2016, EAM's net income was \$258,000 after giving effect to Value Line's non-voting revenues interest of \$1,787,000, 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 three months ended July 31, 2015, before interest holder distributions, include total investment management fees earned from the Value Line Funds of \$3,838,000, 12b-1 fees and other fees of \$1,396,000 and other loss of \$9,000. For the same period, total investment management fee waivers were \$47,000 and 12b-1 fee waivers for six Value Line Funds were \$371,000. During the three months ended July 31, 2015, EAM's net income was \$280,000 after giving effect to Value Line's non-voting revenues interest of \$1,902,000, but before distributions to voting profits interest holders and to the Company in respect of its 50% non-voting profits interest.

As of July 31, 2016, four 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. 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.

The Value Line equity and hybrid funds assets represent 76.2%, variable annuity funds issued by GIAC represent 17.7%, and fixed income fund assets represent 6.1%, respectively, of total fund assets under management (“AUM”) as of July 31, 2016. At July 31, 2016, equity, hybrid and GIAC variable annuities AUM decreased by 1.1% and fixed income AUM decreased by 5.4% as compared to the prior fiscal year.

As of July 31, 2016, five of the six Value Line equity mutual funds, excluding SAM and Centurion, held 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.

Additionally, as of July 31, 2016, five of the six equity and hybrid funds are in the top quartile of their respective peer groups for the one year period and four of the six funds are in the top quartile for the three year period according to Lipper. At this time last year, four of the six equity and hybrid funds were in the top quartile of their respective peer groups for one year and three of the eight were in the top quartile for the three year period according to Lipper.

Overall, the Value Line equity funds continue to be recognized for both their strong long-run performance and lower-risk profile. The Value Line Small Cap Opportunities Fund is recognized on a select list at Lincoln Financial. As of June 30, 2015 Fidelity has added the Value Line Small Cap Opportunities Fund as a Fidelity Fund Pick. Since September 30, 2015 the Value Line Asset Allocation Fund and the Value Line Small Cap Opportunities Fund have been in the top quartile of their category for 1, 3, 5, and 10 year periods according to Lipper.

EAM - The Company'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, and 50% of EAM's net profits, not less than 90% of which is distributed in cash every fiscal quarter.

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

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| | Three Months Ended July | | |
|------------------------------|-------------------------|----------|--------|
| | 31, | | |
| (\$ in thousands) | 2016 | 2015 | Change |
| Non-voting revenues interest | \$ 1,787 | \$ 1,902 | -6.0 % |
| Non-voting profits interest | 129 | 140 | -7.9 % |
| | \$ 1,916 | \$ 2,042 | -6.2 % |

During the three months ended July 31, 2016 and July 31, 2015, the Company recorded revenues of \$1,916,000 and \$2,042,000, respectively, consisting of \$1,787,000 and \$1,902,000, from its non-voting revenues interest in EAM and \$129,000 and \$140,000, from its non-voting profits interest in EAM without incurring any directly related expenses.

Operating expenses

| | Three Months Ended July 31, | | |
|--------------------------------|--------------------------------|---------|--------|
| (\$ in thousands) | 2016 | 2015 | Change |
| Advertising and promotion | \$908 | \$984 | -7.7 % |
| Salaries and employee benefits | 3,908 | 3,779 | 3.4 % |
| Production and distribution | 2,474 | 1,965 | 25.9 % |
| Office and administration | 1,217 | 1,145 | 6.3 % |
| Total expenses | \$8,507 | \$7,873 | 8.1 % |

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

Operating expenses of \$8,507,000 for the three months ended July 31, 2016 increased \$634,000, or 8.1%, as compared to the three months ended July 31, 2015 primarily due to additional accelerated depreciation and amortization expense of \$739,000 in fiscal 2017.

Advertising and promotion

Advertising and promotion expenses of \$908,000 during the three months ended July 31, 2016 decreased \$76,000 or 7.7%, as compared to the first quarter of the prior fiscal year. There was one direct mail campaign for *The Value Line Investment Survey* during the three months ended July 31, 2016 as compared to two direct mail campaigns in the prior fiscal year.

Salaries and employee benefits

Salaries and employee benefits of \$3,908,000 during the three months ended July 31, 2016 increased \$129,000 or 3.4% above the prior fiscal year's primarily as a result of a decrease in the capitalization of internal salaries and benefits expenses for digital project development of \$220,000 during the three months ended July 31, 2016, as compared to the prior fiscal year.

Production and distribution

Production and distribution expenses of \$2,474,000 during the three months ended July 31, 2016 increased \$509,000 or 25.9% as compared to the prior fiscal year. During the three months ended July 31, 2016, an increase of \$733,000 was attributable to additional amortization of internally developed software costs related to software that will be upgraded during fiscal 2017. Third party production and hosting expenses for the Company's print and digital product files for internal use and delivery to the Company's third party that hosts our digital and mobile version of our equity based product offerings, that began on July 9, 2014 decreased \$102,000. Distribution expenses decreased \$71,000 in fiscal 2017 due to switching to United States Postal Service delivery from a private carrier.

Office and administration

Office and administration expenses of \$1,217,000 during the three months ended July 31, 2016 increased \$72,000 or 6.3%, as compared to the prior fiscal year primarily as a result of an increase in the cost of maintenance, telephone communication and information system costs (primarily in house retail sales), and space rental and real estate taxes for our leased NJ facility.

Income from Securities Transactions, net

During the three months ended July 31, 2016 and July 31, 2015 the Company's income from securities transactions, net, primarily derived from dividend income, was \$33,000 and \$51,000, respectively. There were no sales, or gains or losses from sales, of equity securities during the three months ended July 31, 2016 or July 31, 2015.

Lease Commitments

The Company leases 44,493 square feet of office space at 485 Lexington Avenue in New York, NY. 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 received \$122,355 each year from sublandlord in March 2015 and in March 2016. 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 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.

On February 29, 2016, the Company's subsidiary Value Line Distribution Center ("VLDC") and Seagis Property Group LP (the "Landlord") entered into a lease agreement, pursuant to which VLDC has leased approximately 24,110 square feet of warehouse and appurtenant office space located at 205 Chubb Ave., Lyndhurst, NJ ("Building" or "Premises") beginning on May 1, 2016 and ending on April 30, 2024 ("Lease"). Base rent under the Lease is \$192,880 per annum payable in equal monthly installments on the first day of each month, in advance during fiscal 2017 and will gradually increase to \$237,218 in fiscal 2024, subject to customary increases based on operating costs and real estate taxes. The Company provided a security deposit in cash in the amount of \$32,146, which will be fully refunded after the Lease term expires. The lease is a net lease requiring the Company to pay for certain operating expenses associated with the Premises as well as utilities supplied to the Premises.

Effective income tax rate

The overall effective income tax rates, as a percentage of pre-tax ordinary income for the three months ended July 31, 2016 and July 31, 2015 were 36.96% and 30.57%, respectively. The Company's annual effective tax rate will change due to a number of factors including but not limited to an increase or decrease in the ratio of items that do not have tax consequences to pre-tax income, the Company's geographic profit mix between tax jurisdictions, taxation method adopted by each locality, new tax laws, new interpretations of existing tax laws and rulings and settlements with tax

authorities. The fluctuation in the effective income tax rate during fiscal 2017 is primarily attributable to the attribution of 100% of the gain on the sale of the Company's operating facility to one tax jurisdiction and partially to the effect from the scheduled reduction in the allocation factors on the state and local current and deferred tax liability (primarily associated with the gain on deconsolidation of EAM), favorable settlement of certain tax audits, and the dividend received deduction.

Liquidity and Capital Resources

The Company had working capital, defined as current assets less current liabilities, of \$784,000 as of July 31, 2016 and had negative working capital \$6,346,000 as of April 30, 2016. These amounts include short term unearned revenue of \$19,316,000 and \$20,516,000 reflected in total current liabilities at July 31, 2016 and April 30, 2016, respectively. Cash and short term securities were \$25,270,000 and \$16,759,000 as of July 31, 2016 and April 30, 2016, respectively.

The Company's cash and cash equivalents include \$19,846,000 and \$12,037,000 at July 31, 2016 and April 30, 2016, respectively, invested primarily in Money Market Funds at brokers, which operate under Rule 2a-7 of the 1940 Securities and Exchange Act and invest primarily in short term U.S. government securities.

Cash from operating activities

The Company had cash outflows from operating activities of \$2,057,000 during the three months ended July 31, 2016 compared to cash inflows from operations of \$692,000 during the three months ended July 31, 2015. The decrease in cash inflows from fiscal 2016 to fiscal 2017 was primarily attributable to a decrease in unearned income from prepaid subscription orders and the timing of payments to fund the annual profit sharing contribution and payment of income taxes.

Cash from investing activities

The Company's cash inflows from investing activities of \$12,524,000 during the three months ended July 31, 2016, compared to cash inflows from investing activities of \$1,295,000 for the three months ended July 31, 2015. Cash inflows for the three months ended July 31, 2016, were higher primarily due to the proceeds of \$11,555,000 from sale of Company's operating facility and lower expenditures for capitalized software and property and equipment.

Cash from financing activities

During the three months ended July 31, 2016, the Company's cash outflows from financing activities were \$2,194,000 and compared to cash outflows from financing activities of \$1,638,000 for the three months ended July 31, 2015. Cash

outflows for financing activities included \$535,000 and \$166,000 for the repurchase of 32,714 and 12,237 shares of the Company's common stock under the September 19, 2012 board approved common stock repurchase program, during fiscal years 2017 and 2016, respectively. Quarterly dividend payments of \$0.17 per share in the first quarter aggregated \$1,659,000 as compared to \$1,472,000 aggregated quarterly dividend payments of \$0.15 per share during the first quarter of the prior fiscal year.

On July 14, 2016, the Board of Directors of Value Line declared a quarterly dividend of \$0.17 per share. At July 31, 2016 there were 9,723,875 common shares outstanding as compared to 9,797,259 common shares outstanding at July 31, 2015. The Company expects financing activities to continue to include use of cash for dividend payments for the foreseeable future.

Management believes that the Company's cash and other liquid asset resources used in its business together with the future cash flows from operations and from the Company's non-voting revenues and non-voting profits interests in EAM will be sufficient to finance current and forecasted liquidity needs for the next twelve months. Management does not anticipate making any borrowings during the next twelve months. As of July 31, 2016, retained earnings and liquid assets were \$40,229,000 and \$25,270,000, respectively.

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 July 31, 2016, 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 July 31, 2016 and April 30, 2016, the aggregate cost of the equity securities classified as available-for-sale, which consist of investments in the SPDR Series Trust S&P Dividend ETF (SDY), First Trust Value Line Dividend Index ETF (FVD) and PowerShares Financial Preferred ETF (PGF) and Proshares Trust S&P 500 Dividend (NOBL) was \$3,445,000 and the fair value was \$3,875,000 and \$3,637,000, respectively.

| Equity Securities | | Estimated Fair Value after Hypothetical | Hypothetical Change in Prices | Hypothetical | |
|---------------------|-------------------------|---|-------------------------------|------------------|--|
| | | | | Price Change | Change in Shareholders' Equity |
| (\$ in thousands) | | Fair Value | Price Change | Change in Prices | Percentage Increase (Decrease) in Shareholders' Equity |
| As of July 31, 2016 | Total Equity Securities | \$3,875 | 30% increase | \$ 5,037 | 1.94 % |
| | | | 30% decrease | \$ 2,712 | -1.94 % |

| Equity Securities | | Estimated Fair Value after Hypothetical | Hypothetical Price Change | Hypothetical | |
|----------------------|--|---|---------------------------|------------------|--|
| | | | | Change in Prices | Percentage Increase (Decrease) in Shareholders' Equity |
| (\$ in thousands) | | Fair Value | Price Change | Change in Prices | Percentage Increase (Decrease) in Shareholders' Equity |
| As of April 30, 2016 | Equity Securities and ETFs held for dividend yield | \$ 3,637 | 30% increase | \$ 4,728 | 2.05 % |
| | | | 30% decrease | \$ 2,546 | -2.05 % |

Item 4. CONTROLS AND PROCEDURES

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 (a) 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.

The registrant's Principal Executive Officer and Principal Financial Officer have determined that there have been (b) 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, 2016 filed with the SEC on July 15, 2016.

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 fiscal quarter ended July 31, 2016. 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 Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|-------------------|--|---|--|---|
| May 1 - 31, 2016 | 7,820 | \$ 16.90 | 7,820 | \$ 1,218,000 |
| June 1 - 30, 2016 | 19,539 | \$ 16.05 | 19,539 | 905,000 |
| July 1 - 31, 2016 | 5,355 | \$ 16.85 | 5,355 | 815,000 |
| Total | 32,714 | \$ 16.38 | 32,714 | \$ 815,000 |

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.

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Item 6. Exhibits

10.1 First Amendment to Real Estate Sales Contract dated as of May 20, 2016 – sale of the Company’s operating facility located at 125 E Union Avenue, East Rutherford, NJ *

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.INSXBRL Instance Document

101.SCHXBRL Taxonomy Extension Schema Document

101.CALXBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PREXBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

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: Howard A. Brecher
/s/

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

By: /s/

Stephen R. Anastasio

Stephen R. Anastasio
Vice President & Treasurer

Date: September 9, 2016

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