ACE MARKETING & PROMOTIONS INC
Form 8-K
May 30, 2013

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): May 30, 2013 (May 30, 2013)

Ace Marketing & Promotions, Inc.

(Exact name of registrant as specified in its charter)

New York

(State or jurisdiction of incorporation or organization)

000-51160

(Commission File Number)

11-3427886

(I.R.S. Employer Identification Number)

600 Old Country Road, Suite 541, Garden City, NY 11530

(Address of principal executive offices (Zip Code)

Registrant's telephone number: (516) 256-7766

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(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17CFR 240.13e-4(c))

**Item 7.01. Regulation FD Disclosure**

On May 30, 2013, the Company issued a press release, a copy of which is appended hereto.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

| Exhibit | Description |
|---|---|
| 99.1 | Press release dated May 30, 2013. (Filed herewith.) |

SIGNATURE

Pursuant to the requirements of Section 13 or 15(b) 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.

ACE MARKETING & PROMOTIONS, INC.

Dated: May 30, 2013 By: /s/ Dean L. Julia
Dean L. Julia, Co-Chief Executive Officer

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| | | | | | | |
|---|---|---|---|---|---|---|
| Total investment periodicals and related publications | 7,938 | 8,145 | -2.5% | 23,793 | 24,870 | -4.3% |
| Copyright data fees | 1,008 | 851 | 18.4% | 2,900 | 2,636 | 10.0% |
| Total publishing revenues | $8,946 | $8,996 | -0.6% | $26,693 | $27,506 | -3.0% |

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

Sources of Subscription Gross Sales Orders

| | Three Months Ended January 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | | | | 2012 | | | |
| | Print | | Digital | | Print | | Digital | |
| New Sales Orders | 17.9 | % | 26.2 | % | 19.4 | % | 17.1 | % |
| Conversion and Renewal Sales Orders | 82.1 | % | 73.8 | % | 80.6 | % | 82.9 | % |
| Total Gross Sales Orders | 100.0 | % | 100.0 | % | 100.0 | % | 100.0 | % |

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| | Nine Months Ended January 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | | | | 2012 | | | |
| | Print | | Digital | | Print | | Digital | |
| New Sales Orders | 17.9 | % | 23.5 | % | 15.5 | % | 19.2 | % |
| Conversion and Renewal Sales Orders | 82.1 | % | 76.5 | % | 84.5 | % | 80.8 | % |
| Total Gross Sales Orders | 100.0 | % | 100.0 | % | 100.0 | % | 100.0 | % |

| | As of January 31, | | | |
|---|---|---|---|---|
| ($ in thousands) | 2013 | 2012 | Change | |
| Unearned subscription income (current and long term liabilities) | $ 24,033 | $ 25,739 | -6.6 | % |

Investment periodicals and related publications revenues

Investment periodicals and related publications revenues decreased $207,000, or 2.5% for the three months ended January 31, 2013 and $1,077,000, or 4.3%, for the nine months ended January 31, 2013, as compared to the prior fiscal year. While the Company continued its efforts to attract new subscribers through various marketing channels, primarily direct mail and the internet for retail users, and by the efforts of our sales personnel in the institutional market, total product line circulation at January 31, 2013 was 3.2% lower than total product line circulation at January 31, 2012. Selective price increases recently introduced have been offset by reduced sales volume of renewals and new orders. Continuing factors that have contributed to the decline in the investment periodicals and related publications revenues include competition in the form of free or low cost investment research on the Internet and research provided by brokerage firms at no direct cost to their clients. The Company is not adding enough new subscribers to offset the subscribers that choose not to renew their subscriptions. The Company has been successful in growing revenues from digitally-delivered investment periodicals within institutional sales. Gross institutional sales orders of $7,981,000 for the nine months ended January 31, 2013, were 1.8% above comparable sales orders of $7,841,000, for the nine months ended January 31, 2012. This growth continues a positive trend for Institutional Sales, but is not sufficient to wholly offset the lost revenues from retail subscribers.

Print publication revenues decreased $408,000 or 8.0% for the three months ended January 31, 2013 and $1,073,000, or 7.0%, for the nine months ended January 31, 2013 from fiscal 2012 for the reasons described earlier. Earned revenues from institutional print publications increased $164,000 or 58.8% for the three months ended January 31, 2013 and $392,000 or 48.8%, for the nine months ended January 31, 2013 as compared to the prior fiscal year. Print publications revenues from retail subscribers decreased $571,000 or 11.8% for the three months ended January 31, 2013 and $1,464,000 or 10.0%, for the nine months ended January 31, 2013, as compared to the prior fiscal year.

Digital publications revenues increased $201,000 or 6.6% for the three months ended January 31, 2013 and remained at the same level for the nine months ended January 31, 2013 as compared to the prior fiscal year. Earned revenues from institutional digital publications increased $222,000 or 11.2% for the three months ended January 31, 2013 and $153,000 or 2.5%, for the nine months ended January 31, 2013, as compared to the prior fiscal year. Digital publications revenues from retail subscribers decreased $20,000 or 1.9% for the three months ended January 31, 2013 and $158,000 or 4.9%, for the nine months ended January 31, 2013, as compared to the prior fiscal year.

The Company has relied more on its institutional sales marketing efforts, and the increase in institutional combined print and digital revenues is a direct result of a focused effort to sell to colleges, libraries and corporate accounts. The decrease in digital and print retail publications revenues is primarily attributable to the decrease in circulation within the Company’s products, and the transition of certain users from the retail category to institutional, at higher prices.

During this past quarter, the Company has placed significant effort on renewing non-institutional subscriptions by increasing the number of renewal notifications including increases in e-mail and telemarketing efforts.

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

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

The Company believes that the volatility of the equity market and the sluggish economic recovery have to some extent eroded retail investor interest in equities. The Company also believes that the negative trend in overall subscription revenue is likely to continue until new products have been developed and marketed.

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

During fiscal 2012, there were a number of technology advances which are building blocks to the planned launch of our new product offerings expected to begin in fiscal 2014. In December 2011, the new fulfillment system was placed in service that gives the Company the ability to perform real time order processing and grant immediate access to products through the Internet, all from one system, as well as offering multi-tiered entitlements which will come into play in fiscal 2014 with the Company's new product offerings. In December 2011, a new eCommerce platform and a Single Sign On module were launched which directly leverage the new fulfillment system's capabilities for new web order entry and customers' access to their products via a single username and password. Both of these services are a substantial progression from the previous solutions. In January 2012, a website reskin was launched which served to modernize the look and feel of valueline.com.

In addition, the Company launched a new institutional sales website ValueLinePro.com during March 2012. ValueLinePro.com provides a dedicated Internet destination for investment advisers, portfolio managers, corporate professionals and library patrons who seek to learn how Value Line's proprietary research tools can help them research stocks, mutual funds, options, convertible securities and exchange traded funds ("ETFs"). The site thoroughly describes each of the Company's customized products available to institutions and investment professionals, coordinating with the Company's sales and marketing efforts to institutions, and has began to serve as a key generator of sales leads.

A major data technology focus is the creation of a centralized and active database for all of Value Line's finalized, post-calculated data. In order to serve up our data for a variety of uses (new products, different Institutional Sales channels, etc.) it became apparent that all data fields must be fully defined, and a new storage/retrieval mechanism developed which was built upon current "relational" protocols.

Copyright data fees

The Value Line Proprietary Ranking System information (the “Ranking System”), a component of the Company’s flagship product, The Value Line Investment Survey, is also utilized in the Company’s copyright data business. The Ranking System is also required to be made available to EAM for specific uses without charge. The Ranking System is designed to be predictive over a six to twelve month period. For the three, six and twelve months ended January 31, 2013, the combined Ranking System “Rank 1 & 2” stocks increased by 9.7%, 14.6%, and 15.1%, respectively, allowing for weekly changes in Ranks, outperforming an increase of 6.1%, 8.1%, and 14.1% in the S&P 500 Index during the comparable periods, respectively. For the nine month period ended January 31, 2013, the combined Ranking System “Rank 1 & 2” stocks increased 8.9%, outperforming the S&P 500 Index’s increase of 7.2%, during the comparable period.

During the three and nine months ended January 31, 2013, copyright data fees increased $157,000 or 18.4% and $264,000, or 10.0%, respectively, as compared to the prior fiscal year. As of January 31, 2013, total third party sponsored assets were attributable to four contracts for copyright data representing $3.6 billion in various products, as compared to four contracts and $3.1 billion in assets at January 31, 2012, representing a 16.0% increase in assets. The Company believes the growth of this part of the business is dependent upon the desire of third parties to use the Value Line trademarks and proprietary research for their products. This market has become significantly more competitive as a result of product diversification and increased use of indices by portfolio managers. Management is focusing on potential channels for the copyright data products, while maintaining good cooperation with current third party sponsors.

Investment management fees and services – (unconsolidated)

The Company no longer reports this operation as a separate business segment, although it still maintains a significant interest in the cash flows generated by this business and will receive ongoing payments in respect of its non-voting revenues and non-voting profits interests, as discussed below. Total assets in the Value Line Funds managed and/or distributed by EAM at January 31, 2013, were $2.13 billion, which is $55 million or 2.6% above total assets of $2.08 billion in the Value Line Funds managed by EAM at January 31, 2012.

Value Line Mutual Funds

Total Net Assets

| | As of January 31, | | |
|---|---|---|---|
| ($ in millions) | 2013 | 2012 | Change |
| Equity funds | $ 1,872 | $ 1,779 | 5.2 % |
| Fixed income funds | 197 | 225 | -12.4 % |
| U.S. Government Money Market Fund (“USGMMF”) | - | 72 | -100.0 % |
| Total EAM managed net assets | 2,069 | 2,076 | -0.3 % |
| Daily Income Fund managed by Reich & Tang Asset Management LLC (“Reich & Tang”) | 62 | - | n/a |
| Total net assets | $ 2,131 | $ 2,076 | 2.6 % |

While equity assets under management increased 5.2%, four of the six Value Line equity mutual funds, excluding SAM and Centurion are currently experiencing net redemptions and the associated net asset outflows (redemptions less new sales). However, while the Value Line Funds are in net redemptions, they are experiencing less net redemptions in the twelve months ended January 31, 2013 than in the prior year due to higher gross sales in the equity/hybrid funds and better retention of existing fund assets. The Value Line Asset Allocation Fund is experiencing net cash inflows and was added to Schwab's OneSource Select List during August 2012.

Shares of Value Line Strategic Asset Management Trust (“SAM”) and Value Line Centurion Fund (“Centurion”) are available to the public only through the purchase of certain variable annuity and variable life insurance contracts issued by The Guardian Insurance & Annuity Company, Inc. (“GIAC”).

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| ($ in millions) | As of January 31, 2013 | 2012 | Change |
|---|---|---|---|
| Variable annuity assets (GIAC) | $ 470 | $ 468 | 0.4 % |
| All other open end equity fund assets | 1,402 | 1,311 | 6.9 % |
| Total equity fund net assets | $ 1,872 | $ 1,779 | 5.2 % |

EAM Trust - Results of operations before distribution to interest holders

The overall results of EAM's investment management operations during the nine months ended January 31, 2013, before interest holder distributions, include total investment management fees earned from the Value Line Funds of $9,481,000, 12b-1 fees and other fees of $2,868,000 and other income of $5,000. For the same period, total investment management fee waivers for the USGMMF and the Value Line Core Bond Fund were $362,000 and 12b-1 fee waivers for nine Value Line Funds were $1,633,000. During the nine months ended January 31, 2013, EAM's net income was $694,000 after giving effect to Value Line's non-voting revenues interest of $4,280,000, but before distributions to voting profits interest holders and to the Company in respect of its 50% non-voting profits interest.

Total results of EAM's investment management operations during the nine months ended January 31, 2012, before interest holder distributions, include total investment management fees earned from the Value Line Funds of $9,296,000, 12b-1 fees of $2,588,000 and other income of $14,000. For the same period, total investment management fee waivers were $636,000 and 12b-1 fee waivers were $1,700,000. During the nine months ended January 31, 2012, EAM's net income was $240,000 after giving effect to Value Line's non-voting revenues interest of $4,251,000, but before distributions to voting interest holders and to the Company in respect of its non-voting profits interest.

As of January 31, 2013, nine 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.

As of January 31, 2013, four of the six Value Line equity mutual funds, excluding SAM and Centurion, had an overall four or five star rating by Morningstar, Inc. The largest distribution channel for the Value Line Funds remains the fund supermarket platforms such as Guardian, Charles Schwab & Co., Inc., Fidelity, Pershing and E-Trade. In August 2012, the Value Line Asset Allocation Fund was added to Schwab's prestigious OneSource Select List.

The Value Line equity fund assets and fixed income fund assets represent 90.5% and 9.5%, respectively, of total fund assets under management ("AUM") as of January 31, 2013. At January 31, 2013, equity AUM increased by 5.2% and fixed income AUM decreased by 12.4% as compared to the prior fiscal year.

At the Value Line Mutual Funds shareholder meeting held on December 15, 2011, the Convertible Fund shareholders approved the merger of the Value Line Convertible Fund into the Value Line Income and Growth Fund, effective December 16, 2011. The Value Line Convertible Fund had approximately $20 million in assets under management as of December 16, 2011. On May 18, 2012, the Value Line New York Tax Exempt Trust ($15 million) combined into the Value Line Tax Exempt Fund ($90 million). The combination offers many benefits for fund shareholders as described in the fund's proxy materials.

The USGMMF in accordance with a plan approved by the Fund Board, merged into a third party fund, the Daily Income Fund, managed by Reich & Tang, effective October 19, 2012. Final documentation was approved at the fund board meeting held during June 2012. EAM distributes the Daily Income Fund on behalf of Reich & Tang and maintains the shareholder accounts on behalf of the Value Line Funds shareholders who invest in the Daily Income Fund, but EAM is no longer subsidizing the expenses of the USGMMF resulting from the low interest rate economic environment. In addition, the merger of the USGMMF eliminated the cost of administration and fund accounting.

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At the September 2012 meeting, the Funds' Board approved a change in the strategy of the Value Line Aggressive Income Trust and a name change to the Value Line Core Bond Fund effective December 10, 2012. In doing so, the Value Line Funds now have a core bond fund offering that still meets the fundamental investment objectives of the Aggressive Income Trust, which is maximization of current income with a secondary objective of capital appreciation, yet have broader appeal and a larger pool of investors to attract assets. Such assets may include existing shareholders of other Value Line Funds as shareholders redeem equities.

At the December 2012 meeting, the Funds' Board approved a merger of the Value Line U.S. Government Securities Fund into the Value Line Core Bond Fund. The merger is scheduled to take place in March 2013, pending shareholder approval. This would create a core bond fund with over $100 million in assets, a critical threshold for many institutional money managers. At the same meeting, the Funds' board approved a name change to the Value Line Emerging Opportunities Fund to Value Line Small Cap Opportunities Fund. By changing the name, the strategy of the fund and correct category is clearly defined for investors.

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

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

| | Three Months Ended January 31, | | | Nine Months Ended January 31, | | |
|---|---|---|---|---|---|---|
| ($ in thousands) | 2013 | 2012 | Change | 2013 | 2012 | Change |
| Non-voting revenues interest | $1,472 | $1,430 | 2.9 % | $4,280 | $4,251 | 0.7 % |
| Non-voting profits interest | 153 | 26 | 488.5 % | 347 | 120 | 189.2 % |
| | $1,625 | $1,456 | 11.6 % | $4,627 | $4,371 | 5.9 % |

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.

Value Line operating expenses

| | Three Months Ended January 31, | | | Nine Months Ended January 31, | | |
|---|---|---|---|---|---|---|
| ($ in thousands) | 2013 | 2012 | Change | 2013 | 2012 | Change |
| Advertising and promotion | $ 1,017 | $ 622 | 63.5 % | $ 2,916 | $ 2,731 | 6.8 % |
| Salaries and employee benefits | 3,683 | 3,638 | 1.2 % | 11,096 | 10,988 | 1.0 % |
| Production and distribution | 1,422 | 1,143 | 24.4 % | 4,236 | 3,530 | 20.0 % |
| Office and administration | 1,736 | 1,770 | -1.9 % | 5,085 | 5,278 | -3.7 % |
| Total expenses | $ 7,858 | $ 7,173 | 9.5 % | $ 23,333 | $ 22,527 | 3.6 % |

Expenses within the Company are categorized into advertising and promotion, salaries and employee benefits, production and distribution, and office and administration. Operating expenses for the three and nine months ended January 31, 2013, increased $685,000 or 9.5% and $806,000, or 3.6%, respectively, as compared to the three and nine months ended January 31, 2012.

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Advertising and promotion

Advertising and promotion expenses during the three months ended January 31, 2013, increased $395,000 or 63.5%, as compared to the prior year period, mainly related to a $295,000 increase in direct mail costs due to the timing of direct mail campaigns during the third quarter of fiscal 2013 as compared to the third quarter of fiscal 2012 and a $94,000 increase in expenses related to promotion of the digital products in fiscal 2013.

Advertising and promotion expenses during the nine months ended January 31, 2013, increased $185,000, or 6.8%, as compared to fiscal 2012. The increase was mainly due to a $362,000 increase in direct marketing costs due to the timing of direct mail campaigns in fiscal 2013 as compared to fiscal 2012 and an $80,000 increase in telemarketing costs, which were offset by a decrease of $167,000 in media and internet advertising and promotional costs to market the digital products and software products to institutions during fiscal 2012. The remaining decreases for the nine months ended January 31, 2013, were related to a $43,000 decline in copyright data sales commissions' costs and a $47,000 reduction in postage expenses related to renewal solicitation costs which primarily resulted from the increased digital renewal efforts.

Salaries and employee benefits

Salaries and employee benefits increased $45,000 or 1.2% and $108,000 or 1.0%, respectively, during the three and nine months ended January 31, 2013, as compared to fiscal 2012. Increased expenses in salaries and employee benefits were related to the timing of personnel replacements in information technology, marketing, quantitative research and commissionable sales personnel in institutional sales offset by the additional capitalization of $93,000 and $171,000 for digital project development costs for the three and nine months ended January 31, 2013, respectively, as compared to the prior year.

Production and distribution

Production and distribution expenses during the three and nine months ended January 31, 2013, increased $279,000 or 24.4% and $706,000 or 20.0%, respectively, as compared to fiscal 2012. During the three and nine months ended January 31, 2013, an increase of $261,000 and $769,000, respectively, resulted from additional amortization of internally developed software costs for the automation of our fulfillment system, single sign on, website development and new, service oriented production architecture implemented during the third quarter of fiscal 2012. These expenses were partially offset by a decrease in paper and distribution expenses and lower costs related to outsourced data collection services.

Office and administration

Office and administration expenses during the three months ended January 31, 2013, decreased $34,000 or 1.9%, as compared to fiscal 2012. The decrease was primarily due to a decline in professional fees in fiscal 2013.

Office and administration expenses during the nine months ended January 31, 2013, decreased $193,000 or 3.7%, as compared to fiscal 2012. The decrease was primarily due to a decline in professional fees, and a decrease in utilities costs at the Company's corporate facility. In fiscal 2012, office and administrative expense were reduced due to reimbursement of $44,000 received from EAM for the month of May 2011 for rent and certain accounting and other administrative support services provided to EAM during its final month of occupancy at the Company's office facility.

Income from Securities Transactions, net

During the nine months ended January 31, 2013, the Company's income from securities transactions, net, of $93,000, which includes primarily dividend income, was $59,000 or 173.5% above income from securities transactions, net, of $34,000 during the nine months ended January 31, 2012. During the nine months ended January 31, 2012, income from securities transactions, net, included $46,000 of dividend income and $16,000 of interest income. Realized losses on sales of fixed income securities, were $22,000 during the nine months ended January 31, 2012.

Lease Commitments

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

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

The summaries of the Sublease and Lease Modification do not purport to be complete and are qualified in their entirety by reference to the Sublease and Lease Modification, each of which is attached as an exhibit to this report on Form 10-Q for the quarter ending January 31, 2013.

Effective income tax rate

The overall effective income tax rate, as a percentage of pre-tax ordinary income for the nine months ended January 31, 2013 and 2012 was 36.94% and 37.82%, respectively. The annual effective tax rate changed during fiscal 2013 due to a number of factors including but not limited to an increase or decrease in the ratio of items that do not have tax consequences to pre-tax income, the Company's geographic profit mix between tax jurisdictions, new tax laws, new interpretations of existing tax laws and rulings by and settlements with tax authorities. The fluctuation in the effective income tax rate is attributable to prior fiscal year offset by a higher percentage of income subject to state and local taxes during the current fiscal year, to the recognition of the domestic production tax credits and an increase in the dividends received deduction during the current fiscal year offset by a higher percentage of income subject to state and local taxes.

Liquidity and Capital Resources

The Company had negative working capital, defined as current assets less current liabilities, of $10,066,000 as of January 31, 2013 and negative working capital of $8,239,000 as of January 31, 2012. These amounts include short term unearned revenue of $21,001,000 and $20,800,000 reflected in total current liabilities at January 31, 2013 and January 31, 2012, respectively. Cash and short term securities were $13,895,000 as of January 31, 2013 and $15,614,000 as of January 31, 2012.

The Company's cash and cash equivalents include $7,751,000 and $11,733,000 at January 31, 2013 and January 31, 2012, respectively, invested primarily in Money Market Funds at brokers' accounts, which operate under Rule 2a-7 of the 1940 Act and invest primarily in short term U.S. government securities.

Cash from operating activities

The Company had cash inflows from operating activities of $662,000 during the nine months ended January 31, 2013, $1,074,000 below cash inflows from operations of $1,736,000 during the nine months ended January 31, 2012. The lower cash flows during the first nine months of fiscal 2013 were primarily the result of decline in net income and deferred revenue, offset by payments made from the settlement reserve of $23,000 and $1,163,000, and payments to the Company's Profit Sharing and Savings Plan in the amounts of $294,000 and $507,000, in fiscal 2013 and fiscal 2012, respectively.

Cash from investing activities

The Company's cash inflows from investing activities of $639,000 during the nine months ended January 31, 2013, were $10,275,000 below cash inflows from investing activities of $10,914,000 for the nine months ended January 31, 2012. Cash inflows for the nine months ended January 31, 2012, were lower primarily due to the Company's decision not to re-invest $11,196,000 of proceeds from sales of fixed income securities during the prior fiscal year, in short-term, low yielding fixed income securities and timing of the receipt of non-voting revenues interest and non-voting profits interest distributions from EAM Trust. The Company expects that investing activities will provide cash from continued receipts from its non-voting revenues and non-voting profits interests distributions in EAM. The decrease in cash inflows from investing activities in fiscal 2013 was partially offset by the decline in expenditures for capitalized software of $1,446,000 related to capitalized software costs for upgrading product capabilities.

Cash from financing activities

The Company's cash outflows from financing activities of $4,600,000 during the nine months ended January 31, 2013, were less than cash outflows from financing activities of $6,914,000 for the nine months ended January 31, 2012. During fiscal 2013, cash outflows for financing activities consisted of dividend payments of $0.15 per share and $147,000 for the repurchase of the Company's common stock under the September 19, 2012 board approved common stock repurchase program. During fiscal 2012, cash outflows for financing activities consisted of two dividend payments of $0.20 and one dividend payment of $0.15 per share and $946,000 for the repurchase of the Company's common stock under the January 20, 2011 board approved repurchase program that expired on January 15, 2012. The Company expects financing activities will continue to use 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 and does not anticipate making any borrowings during the next twelve months. As of January 31, 2013, retained earnings were $32,272,000 and liquid assets were $13,895,000.

Seasonality

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

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

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

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

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

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

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.

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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 January 31, 2013, 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 January 31, 2013 and April 30, 2012, the aggregate cost of the equity securities classified as available-for-sale, which consist of investments in the iShares Dow Jones Select Dividend Index (DVY), SPDR S&P Dividend (SDY), First Trust Value Line Dividend Index (FVD), PowerShares Financial Preferred (PGF), certain common shares of equity securities and inverse equity index ETFs, such as ProShares Short Dow 30 (DOG) and ProShares Short S&P 500 (SH), was $4,950,000 and $3,749,000 and the market value was $5,152,000 and $3,881,000, respectively.

| ($ in thousands)<br>Equity Securities | | Fair Value | Hypothetical Price Change | Estimated Fair Value after Hypothetical Change in Prices | Hypothetical Percentage Increase (Decrease) in Shareholders' Equity |
|---|---|---|---|---|---|
| As of January 31, 2013 | Equity Securities and ETFs held for dividend yield | $ 3,499 | 30% increase | $ 4,549 | 2.08 % |
| | | | 30% decrease | $ 2,449 | -2.08 % |
| As of January 31, 2013 | Inverse ETF Holdings | $ 1,653 | 30% increase | $ 1,157 | -0.98 % |
| | | | | $ 2,149 | 0.98 % |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | 30% decrease | | | | |
| As of January 31, 2013 | Total | $ | 5,152 | 30% increase | $ | 5,706 | 1.10 | % |
| | | | | 30% decrease | $ | 4,598 | -1.10 | % |

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

Item 4. CONTROLS AND PROCEDURES

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

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

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

Part II – OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A – Risk Factors in the Company's Annual Report on Form 10-K for the year ended April 30, 2012 filed with the SEC on July 27, 2012.

On October 29 and 30, 2012, the metropolitan New York City and New Jersey region suffered severe damage from Hurricane Sandy. Hurricane Sandy did not have a material impact on our Consolidated Condensed Financial Statements.

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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 January 31, 2013. All purchases listed below were made in the open market at prevailing market prices.

ISSUER PURCHASES OF EQUITY SECURITIES

| ( in thousands except for shares and cost per share) | (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 |
|---|---|---|---|---|
| November 1 - 30, 2012 | 8,149 | $ 9.06 | 8,149 | $ 2,896,000 |
| December 1 - 31, 2012 | 4,741 | 9.19 | 4,741 | $ 2,853,000 |
| Total | 12,890 | $ 9.11 | 12,890 | |

All shares represent shares repurchased pursuant to authorization of the Board of Directors. On September 19, 2012, the Company's Board of Directors authorized the repurchase of shares of the Company's common stock, at such times and prices as management determined to be advisable, up to an aggregate purchase price of $3,000,000.

Item 5. Other Information

None.

Item 6. Exhibits

10.1 Agreement of Sublease, dated as of February 7, 2013, for the Company's premises at 485 Lexington Ave., New York, NY.*

10.2 Fourth Lease Modification Agreement, dated as of February 7, 2013.*

31.1 Certificate of Principal Executive Officer Required Under Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certificate of Principal Financial Officer Required Under Section 302 of the Sarbanes-Oxley Act of 2002.

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

101. INS XBRL Instance Document

| | |
|---|---|
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

* 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)

Date: March 12, 2013 By: /s/Howard A. Brecher

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

Date: March 12, 2013 By: /s/Stephen R. Anastasio

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

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