CITIZENS HOLDING CO /MS/
Form 10-Q
November 06, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2009

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: 000-25221

CITIZENS HOLDING COMPANY

(Exact name of registrant as specified in its charter)

MISSISSIPPI	**64-0666512**
(State or other jurisdiction of incorporation or organization)	**(I. R. S. Employer Identification Number)**
521 Main Street, Philadelphia, MS	**39350**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: 601-656-4692

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or 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 definitions of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller Reporting Company	¨

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

Number of shares outstanding of each of the issuer s classes of common stock, as of November 4, 2009:

Title	**Outstanding**
Common Stock, $0.20 par value	4,859,487

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CITIZENS HOLDING COMPANY

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* Not Applicable or None

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (Unaudited).

CITIZENS HOLDING COMPANY

CONSOLIDATED STATEMENTS OF CONDITION

(Unaudited)

	September 30, 2009	December 31, 2008
ASSETS		
Cash and due from banks	$ 19,521,234	$ 28,844,221
Interest bearing deposits with other banks	5,838,349	1,001,611
Investment securities available for sale, at fair value	297,407,670	258,023,206
Loans, net of allowance for loan losses of $5,527,331 in 2009 and $4,479,585 in 2008	441,344,684	424,225,671
Premises and equipment, net	18,565,798	17,182,082
Other real estate owned, net	3,918,111	3,374,803
Accrued interest receivable	6,298,819	6,265,797
Cash value of life insurance	18,578,590	17,992,456
Intangible assets, net	3,642,166	3,780,685
Other assets	4,222,251	5,356,800
TOTAL ASSETS	$ 819,337,672	$ 766,047,332
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$ 81,606,840	$ 95,650,137
Interest-bearing NOW and money market accounts	166,279,470	151,173,161
Savings deposits	35,175,144	32,162,992
Certificates of deposit	277,508,613	266,941,132
Total deposits	560,570,067	545,927,422
Federal Funds Purchased	2,800,000	21,000,000
Securities sold under agreement to repurchase	97,725,089	41,441,052
Federal Home Loan Bank advances	74,400,000	79,400,000
Accrued interest payable	1,029,913	1,365,679
Deferred compensation payable	3,598,116	3,257,631
Other liabilities	2,214,397	2,255,910
Total liabilities	742,337,582	694,647,694
STOCKHOLDERS EQUITY		
Common stock; $.20 par value, 22,500,000 shares authorized, 4,870,187 shares outstanding at September 30, 2009 and 4,849,296 shares outstanding at December 31, 2008	974,037	969,859
Additional paid-in capital	3,807,463	3,530,390
Retained earnings	70,726,065	68,204,939
Accumulated other comprehensive income (loss), net of taxes of ($887,898) in 2009 and $776,667 in 2008	1,492,525	(1,305,550)

Total stockholders equity	77,000,090	71,399,638
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 819,337,672	$ 766,047,332

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

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CITIZENS HOLDING COMPANY

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	For the Three Months Ended September 30, 2009	2008	For the Nine Months Ended September 30, 2009	2008
INTEREST INCOME				
Loan income, including fees	$ 7,368,838	$ 7,382,418	$ 22,007,962	$ 21,899,227
Investment securities	3,100,773	2,494,163	8,702,289	7,262,818
Other interest	5,454	32,140	18,929	190,824
Total interest income	10,475,065	9,908,721	30,729,180	29,352,869
INTEREST EXPENSE				
Deposits	1,796,697	2,157,948	6,270,269	7,523,863
Other borrowed funds	854,059	875,832	2,492,463	2,934,318
Total interest expense	2,650,756	3,033,780	8,762,732	10,458,181
NET INTEREST INCOME	7,824,309	6,874,941	21,966,448	18,894,688
PROVISION FOR LOAN LOSSES	1,123,297	372,105	2,263,642	1,028,914
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,701,012	6,502,836	19,702,806	17,865,774
OTHER INCOME				
Service charges on deposit accounts	1,081,059	1,062,786	3,009,826	3,017,578
Other service charges and fees	395,370	325,696	1,064,555	889,234
Other income	604,398	394,944	1,447,587	2,405,357
Total other income	2,080,827	1,783,426	5,521,968	6,312,169
OTHER EXPENSES				
Salaries and employee benefits	3,281,090	3,019,748	9,646,435	8,974,575
Occupancy expense	1,099,080	912,118	3,061,057	2,704,270
Other operating expense	2,229,742	1,548,363	5,624,037	4,621,554
Total other expenses	6,609,912	5,480,229	18,331,529	16,300,399
INCOME BEFORE PROVISION FOR INCOME TAXES	2,171,927	2,806,033	6,893,245	7,877,544
PROVISION FOR INCOME TAXES	434,506	701,680	1,457,133	1,658,069
NET INCOME	$ 1,737,421	$ 2,104,353	$ 5,436,112	$ 6,219,475
NET INCOME PER SHARE				
- Basic	$ 0.36	$ 0.43	$ 1.12	$ 1.28
- Diluted	$ 0.35	$ 0.43	$ 1.11	$ 1.27

DIVIDENDS PAID PER SHARE	$	0.20	$	0.19	$	0.60	$	0.57

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

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CITIZENS HOLDING COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Net income	$ 1,737,421	$ 2,104,353	$ 5,436,112	$ 6,219,475
Other comprehensive income (loss), net of tax				
Unrealized holding gains (losses)	4,651,185	(1,196,003)	2,798,075	(3,058,170)
Total other comprehensive income (loss)	4,651,185	(1,196,003)	2,798,075	(3,058,170)
Comprehensive income (loss)	$ 6,388,606	$ 908,350	$ 8,234,187	$ 3,161,305

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

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CITIZENS HOLDING COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the nine months ended September 30, 2009	For the nine months ended September 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Cash Provided by Operating Activities	$ 9,298,253	$ 8,225,487
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of securities available for sale	91,333,533	16,209,163
Proceeds from sales of securities AFS	20,872,131	22,992,995
Purchases of investment securities available for sale	(148,170,397)	(75,935,789)
Net change in Shay Investments		69,044,931
Net change in securities sold under agreement to repurchase	56,284,037	(37,112,417)
Purchases of bank premises and equipment	(2,360,698)	(3,333,414)
Increase in interest bearing deposits with other banks	(4,836,738)	(835,958)
Net increase in federal funds sold		(6,500,000)
(Purchase) redemption of Federal Home Loan Bank Stock	(435,100)	544,300
Proceeds from sale of other real estate acquired by foreclosure	432,430	225,114
Net increase in loans	(20,414,396)	(45,071,492)
Net Cash Used by Investing Activities	(7,295,198)	(59,772,567)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	14,642,645	25,857,765
Proceeds from exercising stock options	485,748	146,980
Increase (decrease) in FHLB advances	(5,000,000)	30,000,000
Repurchase of stock	(339,449)	(438,865)
Decrease in federal funds purchased	(18,200,000)	(4,200,000)
Payment of dividends	(2,914,986)	(2,770,558)
Net Cash (Used By) Provided by Financing Activities	(11,326,042)	48,595,322
Net Decrease in Cash and Due from Banks	(9,322,987)	(2,951,758)
Cash and Due From Banks, beginning of period	28,844,221	18,622,058
Cash and Due from Banks, end of period	$ 19,521,234	$ 15,670,300

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

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CITIZENS HOLDING COMPANY

NOTES TO FINANCIAL STATEMENTS

As of and for the three and nine months ended September 30, 2009

(Unaudited)

Note 1. Summary of Significant Accounting Policies

These interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. However, these financial statements do not include all of the information and footnotes required by generally accepted accounting principles (GAAP) for complete financial statements. The interim consolidated financial statements are unaudited and reflect all adjustments and reclassifications, which, in the opinion of management, are necessary for a fair presentation of the results of operations and financial condition as of and for the interim periods presented. All adjustments and reclassifications are of a normal and recurring nature. Results for the period ended September 30, 2009 are not necessarily indicative of the results that may be expected for any other interim periods or for the year as a whole.

The interim consolidated financial statements of Citizens Holding Company include the accounts of its wholly-owned subsidiary, The Citizens Bank of Philadelphia (the Bank and collectively with Citizens Holding Company, the Corporation). On January 2, 2007, the Bank completed a one-for-one thousand (1-for-1,000) reverse stock split with all fractional shares paid in cash. As a result of this transaction, the Corporation became the 100% owner of the Bank on January 2, 2007. All significant intercompany transactions have been eliminated in consolidation.

For additional significant accounting policies of the Corporation, see Note 1 of the Notes to Consolidated Financial Statements of Citizens Holding Company included in the Corporation s Annual Report on Form 10-K for the year ended December 31, 2008, filed with the Securities and Exchange Commission on March 13, 2009.

Note 2. Commitments and Contingent Liabilities

In the ordinary course of business, the Corporation enters into commitments to extend credit to its customers. The unused portion of these commitments is not reflected in the accompanying financial statements. As of September 30, 2009, the Corporation had entered into loan commitments with certain customers with an aggregate unused balance of $41,004,410 compared to an aggregate unused balance of $44,441,409 at December 31, 2008. There were $3,768,944 of letters of credit outstanding at September 30, 2009 and $3,323,809 at December 31, 2008. The fair value of such contracts is not considered material because letters of credit and loan commitments often are not used in their entirety, if at all, before they expire. The balances of such letters and commitments should not be used to project actual future liquidity requirements. However, the Corporation does incorporate expectations about the level of draws under its credit-related commitments into its asset and liability management program.

The Corporation is a party to lawsuits and other claims that arise in the ordinary course of business, all of which are being vigorously contested. In the regular course of business, management evaluates estimated losses or costs related to litigation, and provision is made for anticipated losses whenever management believes that such losses are probable and can be reasonably estimated. At the present time, management believes, based on the advice of legal counsel, that the final resolution of pending legal proceedings will not have a material impact on the Corporation s consolidated financial condition or results of operations.

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CITIZENS HOLDING COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the three and nine months ended September 30, 2009

(Unaudited)

Note 3. Net Income per Share

Net income per share - basic, has been computed based on the weighted average number of shares outstanding during each period. Net income per share - diluted, has been computed based on the weighted average number of shares outstanding during each period plus the dilutive effect of outstanding granted stock options using the treasury stock method. Earnings per share was computed as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Basic weighted average shares outstanding	4,862,784	4,856,549	4,855,028	4,862,411
Dilutive effect of granted options	76,336	33,976	61,659	35,447
Diluted weighted average shares outstanding	4,939,120	4,890,525	4,916,687	4,897,858
Net income	$ 1,737,421	$ 2,104,353	$ 5,436,112	$ 6,219,475
Net income per share-basic	$ 0.36	$ 0.43	$ 1.12	$ 1.28
Net income per share-diluted	$ 0.35	$ 0.43	$ 1.11	$ 1.27

Note 4. Stock Option Plan

At September 30, 2009, the Corporation had two stock-based compensation plans, which are the 1999 Employees Long-Term Incentive Plan and the 1999 Directors Stock Compensation Plan. As of January 1, 2006, the Corporation began accounting for these plans under the recognition and measurement principles of fair value set forth in FASB ASC Topic 718, Compensation-Stock Compensation, which replaced FASB No. 123R, and FASB ASC Section 718-10-S99, Compensation-Stock Compensation: Overall: SEC Materials, formerly SAB 107. ASC 718-10-S99 provides guidance related to share-based payments transactions, including valuation methods (including assumptions such as expected volatility and expected term), the classification of compensation expense, non-GAAP financial measures, first time adoption of ASC 718 in an interim period and disclosure in Management s Discussion and Analysis subsequent to the adoption of ASC 718.

To determine the expected term of the options granted, the Corporation chose to use the simplified method for plain vanilla options as detailed in ASC 718-10-S99 for those options granted prior to December 31, 2007. The Corporation determined that those options granted comply with the requirements under ASC 718-10-S99 and used this method for estimating the expected term of the options granted until December 31, 2007. Beginning with options granted after this date, the Corporation will use the methods prescribed by ASC 718. Volatility is determined by using the standard deviation of the differences of the closing stock price of the Corporation s common stock as quoted on the American Stock Exchange (through November 15, 2006, the date of the transfer of the listing of the Corporation s common stock to The NASDAQ Global Market) or The NASDAQ Global Market (since November 16, 2006) on or about the 15th of each month starting January 15, 2002. Stock prices prior to that date experienced volatility that is not representative of the volatility experienced since that time and therefore are not used in this calculation.

Although the option grants are not subject to an explicit vesting schedule, the Corporation recognizes that the restriction on exercising options before six months and one day after the grant date constitutes a de facto vesting schedule and must be considered when applying ASC 718. ASC 718 states that a requisite service period may be explicit, implicit or derived and that an implicit service period is one that may be inferred from an analysis of the award s terms. Based on its analysis of the terms of the option awards, management concluded that the restriction on exercising options until six months and one day have passed since the date of grant constitutes a service period under ASC 718 and the compensation costs should be amortized over this six month period.

The fair value of each option granted is estimated on the date of the grant using the Black-Sholes option-pricing model.

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CITIZENS HOLDING COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the three and nine months ended September 30, 2009

(Unaudited)

On April 23, 2008, the members of the Board of Directors were granted a total of 13,500 options as specified in the 1999 Directors Stock Compensation Plan and 1,500 options were granted to an officer under the 1999 Employees Stock Incentive Plan. These options were granted at an exercise price of $18.00 per option, which was the closing price of Citizens Holding Company stock on that day. These options are first exercisable on October 24, 2008 and must be exercised no later than April 23, 2018.

The following assumptions were used in estimating the fair value of the options granted to the directors in the second quarter of 2008.

Assumption	Officer	Directors
Dividend Yield	4.10%	4.10%
Risk-Free Interest Rate	3.15%	3.15%
Expected Life	8.46 years	6.75 years
Expected Volatility	44.82%	44.82%
Calculated Value per Option	$ 5.76	$ 5.92
Forfeitures	0.00%	0.00%

Using the Black-Scholes option-pricing model with the foregoing assumptions, it was determined that the cost of options granted to directors in April 2008 was $79,952 and should be recognized as an expense of $13,325 per month over the six month requisite service period, beginning in April 2008. This was recorded as salary expense with a credit to paid-in capital. A deferred tax on these options was recorded in the aggregate amount of $29,582, or $4,930 per month, over the six month requisite service period, beginning in April 2008.

Using the assumptions in the previous table, it was also determined that the cost of options granted to the officer was $8,462 and should be recognized as an expense of $1,440 over the six month requisite service period, beginning in April 2008. This was recorded as salary expense with a credit to paid-in capital. No deferred taxes were recorded on this option grant.

On April 29, 2009, the members of the Board of Directors were granted a total of 13,500 options as specified in the 1999 Directors Stock Compensation. These options were granted at an exercise price of $21.75 per option, which was the closing price of Citizens Holding Company stock on that day. These options are first exercisable on October 30, 2009 and must be exercised no later than April 29, 2019.

The 1999 Employees Long-Term Incentive Plan has expired and there will be no future grants under this plan.

The following assumptions were used in estimating the fair value of the options granted to the directors in the second quarter of 2009.

Assumption	Directors
Dividend Yield	3.68%
Risk-Free Interest Rate	2.23%
Expected Life	7.81 years
Expected Volatility	64.24%
Calculated Value per Option	$ 10.00
Forfeitures	0.00%

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CITIZENS HOLDING COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the three and nine months ended September 30, 2009

(Unaudited)

Using the Black-Scholes option-pricing model with the foregoing assumptions, it was determined that the cost of options granted to directors in April 2009 was $134,952 and should be recognized as an expense of $22,492 per month over the six month requisite service period, beginning in April 2009. This was recorded as salary expense with a credit to paid-in capital. A deferred tax on these options was recorded in the aggregate amount of $49,932, or $8,322 per month, over the six month requisite service period beginning in April 2009.

The following table below is a summary of the stock option activity for the nine months ended September 30, 2009.

	Directors Plan		Employees Plan	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2008	91,500	$ 18.05	176,800	$ 18.78
Granted	13,500	21.75		
Exercised	(12,000)	13.74	(25,150)	13.65
Expired	(4,500)	22.65		
Outstanding at September 30, 2009	88,500	$ 18.96	151,650	$ 19.63

The intrinsic value of options granted under the Directors Plan at September 30, 2009 was $663,750 and the intrinsic value of options granted under the Employees Plan at September 30, 2009 was $1,034,253 for a total intrinsic value at September 30, 2009 of $1,698,003.

Note 5. Income Taxes

FASB ASC Topic 740 defines the threshold for recognizing the benefits of tax return positions in the financial statements as more-likely-than-not to be sustained by the taxing authority. ASC 740 also provides guidance on the derecognition, measurement and classification of income tax uncertainties, along with any related interest and penalties, and includes guidance concerning accounting for income tax uncertainties in interim periods. The Corporation adopted the provisions of ASC 740 on January 1, 2007, and determined there was no need to make an adjustment to retained earnings upon adoption of ASC 740. As of September 30, 2009, the Corporation had no unrecognized tax benefits related to federal and state income tax matters. Therefore, the Corporation does not anticipate any material increase or decrease in the effective tax rate during 2009 relative to any tax positions taken. It is the Corporation s policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Corporation and its subsidiaries file a consolidated U. S. federal income tax return. The Corporation is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ending December 31, 2005 through 2008. The Corporation and its subsidiaries state income tax returns are open to audit under the statute of limitations for the years ended December 31, 2005 through 2008.

Note 6. Accounting Pronouncements

Effective December 30, 2007, the Corporation adopted the provisions of ASC Topic 820, *Fair Value Measurements and Disclosures*. This statement defines fair value, establishes a hierarchal disclosure framework for measuring fair value, and requires expanded disclosures about fair value measurements. The provisions of this statement apply to all financial instruments that are being measured and reported on a fair value basis. The partial adoption of ASC 820 did not have any impact on our financial position or results of operations. Effective December 28, 2008, the Corporation adopted the remaining provisions of ASC 820 that were delayed by the issuance of ASC Section 820-10-55, *Fair Value*

Measurements and Disclosures: Overall: Implementation Guidance and Illustrations. The adoption of the remaining provisions of ASC 820, relating to nonfinancial assets and liabilities, did not have a material impact on our financial position or results of operations.

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CITIZENS HOLDING COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the three and nine months ended September 30, 2009

(Unaudited)

In December 2007, the FASB issued ASC Topic 805, *Business Combinations*, which replaced FAS No. 141. ASC 805 establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired and the liabilities assumed. The Corporation adopted the provisions of ASC 805 effective December 28, 2008, which applies prospectively to all business combinations entered into on or after such date. The adoption of this statement had no effect on our financial position or results of operations. Any future acquisitions will be impacted by application of this statement.

In December 2007, the FASB issued ASC Section 810-10-65, *Consolidation: Overall: Transition and Effective Date Information*. This standard amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The Corporation adopted the provisions of ASC 810-10-65 effective December 28, 2008. The adoption of this statement did not have a material effect on our financial position or results of operations.

In February 2008, the FASB updated ASC Topic 860, *Transfers and Servicing.* The objective of this update is to provide implementation guidance on accounting for a transfer of a financial asset and repurchase financing. The update presumes that an initial transfer of a financial asset and a repurchase financing are considered part of the same arrangement (linked transaction) under ASC 860. However, if certain criteria are met, the initial transfer and repurchase financing shall not be evaluated as a linked transaction and shall not be evaluated under ASC 860. The Corporation adopted the provisions the update to ASC 860 effective December 28, 2008. The adoption of this statement did not have a material effect on our financial position or results of operations.

In March 2008, the FASB updated ASC Topic 815, *Derivatives and Hedging.* This update changes the existing disclosure requirements in ASC 815. ASC 815 now requires enhanced disclosures about an entity s derivative and hedging activities. The Corporation adopted the updates to ASC 815 effective December 28, 2008. The adoption of this statement did not have a material effect on our financial position or results of operations.

In April 2009, the FASB issued the following:

Update to ASC Section 820-10-65, *Fair Value Measurements and Disclosures: Overall: Transition and Open Effective Date Information*

Update to ASC Section 320-10-65, *Investments Debt and Equity Securities: Overall: Transition and Open Effective Date Information*

Update to ASC Section 825-10-65, *Financial Instruments: Overall: Transition and Open Effective Date Information*

ASC 820-10-65 indicates that when determining the fair value of an asset or liability that is not a Level 1 fair value measurement, an entity should assess whether the volume and level of activity for the asset or liability have significantly decreased when compared with normal market conditions. If the entity concludes that there has been a significant decrease in the volume and level of activity, a quoted price (e.g., observed transaction) may not be determinative of fair value and may require a significant adjustment. ASC Section 320-10-65 modifies the requirements for recognizing other-than-temporarily impaired debt securities and changes the existing impairment model for such securities. These statements also modify the presentation of other-than-temporary impairment losses and increase the frequency of and expand already required disclosures about other-than-temporary impairment for debt and equity securities. ASC Section 825-10-65 requires publicly traded companies to disclose the fair value of financial instruments within the scope of ASC 825 in interim financial statements, adding to the current requirement to make those disclosures in annual financial statements. This staff position also requires that companies disclose the method or methods and significant assumptions used to estimate the fair value of financial instruments and a discussion of changes, if any, in the method or methods and significant assumptions during the period. The Corporation adopted the provisions these staff positions effective for the second quarter ended June 27, 2009. The adoption of these staff positions did not have a material effect on our financial position or results of operations.

CITIZENS HOLDING COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the three and nine months ended September 30, 2009

(Unaudited)

In May 2009, the FASB issued ASC Topic 855, *Subsequent Events*. This statement requires management to evaluate subsequent events through the date the financial statements are either issued, or available to be issued. Companies will be required to disclose the date through which subsequent events have been evaluated. The Corporation adopted the provisions of ASC 855 effective March 29, 2009. The adoption of this statement did not have a material effect on our financial position or results of operations.

In June 2009, the FASB issued FAS No.168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162*. This codification is the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Corporation adopted the provisions of FAS No. 168 effective June 28, 2009. The adoption of this statement did not have a material effect on our financial position or results of operations.

Note 7. Fair Value of Financial Instruments

The fair value estimates, methods and assumptions used by the Company in estimating its fair value disclosures for financial instruments were:

Cash and Due from Banks and Interest Bearing Deposits with Banks

The carrying amounts reported in the balance sheet for these instruments approximate those assets fair values because of their immediate and shorter-term maturities.

Securities Available-for-Sale

Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Net Loans

For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair values for other loans (i.e., commercial real estate and rental property mortgage loans, commercial and industrial loans, financial institution loans, and agricultural loans) are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued interest receivable approximates its fair value.

Federal Funds Sold and Purchased; Securities Sold under Agreement to Repurchase

Due to the short term nature of these instruments, the carrying amount is equal to the fair value.

Deposits

The fair values for demand deposits, NOW and money market accounts and savings accounts are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts for variable-rate, fixed-term money market accounts and time deposits approximate their fair values at the reporting date. Fair values for fixed-rate time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits. The carrying amount of accrued interest payable approximates its fair value.

Federal Home Loan Bank Borrowings

The fair value of the portion of FHLB advances that matures within 90 days approximates its fair value. For longer term maturities, the fair value is based on discounted cash flow analysis.

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CITIZENS HOLDING COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the three and nine months ended September 30, 2009

(Unaudited)

Off-Balance Sheet Instruments

The fair value of commitments to extend credit and letters of credit are estimated using fees currently charged to enter into similar agreements. The fees associated with these financial instruments are not material.

The following represents the carrying value and estimated fair value of the Corporation s financial instruments at September 30, 2009 and December 31, 2008:

	September 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and due from banks	$ 19,521,234	$ 19,521,234	$ 28,844,221	$ 28,844,221
Interest bearing deposits with banks	5,838,349	5,838,349	1,001,611	1,001,611
Securities available-for-sale	297,407,670	297,407,670	258,023,206	258,023,206
Net loans	441,344,684	441,574,076	424,225,671	422,956,707
Accrued interest receivable	6,298,819	6,298,819	6,265,797	6,265,797
Financial liabilities				
Deposits	$ 560,570,067	$ 560,960,566	$ 545,927,422	$ 546,424,671
Federal Home Loan Bank advances	74,400,000	77,995,633	79,400,000	82,644,119
Accrued interest payable	1,029,913	1,029,913	1,365,679	1,365,679
Federal funds purchased	2,800,000	2,800,000	21,000,000	21,000,000
Securities sold under agreement to repurchase	97,725,089	97,725,089	41,441,052	41,441,052

FASB ASC Section 820-10-65, Fair Value Measurements and Disclosures: Overall: Transition and Open Effective Date Information establishes a framework for measuring the fair value of assets and liabilities. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Corporation estimates the fair values of financial assets and liabilities on a recurring basis using the following methods and assumptions:

Securities available for sale: Fair values for securities are based on quoted market prices, where available. If quoted prices are not available, fair values are based on quoted market prices of similar instruments. Level 2 securities include debt securities including obligations of U. S. Government agencies and corporations, mortgage-backed securities and state, county and municipal bonds. Level 3 securities consist of a pooled trust preferred security.

The following table presents assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2009:

	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs

	(Level 1)	(Level 2)	(Level 3)	Totals
Securities available for sale	$	$ 295,153,443	$ 2,254,227	$ 297,407,670

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CITIZENS HOLDING COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the three and nine months ended September 30, 2009

(Unaudited)

The following table reports the activity for 2009 in assets measured at fair value on a recurring basis using significant unobservable inputs.

		Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Structured Financial Product
Balance at January 1 and July 1, 2009	$	
Total gains or losses (realized or unrealized)		
Other-than-temporary impairment included in earnings		
Other-than-temporary impairment included in other comprehensive income		
Other gains/losses included in other comprehensive income		(70,878)
Purchases, issuances and settlements		
Transfers in and/or out of Level 3		2,325,105
Balance at September 30, 2009	$	2,254,227
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at reporting date	$	

As of September 30, 2009, management determined, based on the current credit ratings, known defaults and deferrals by the underlying banks and the degree to which future defaults and deferrals would be required to occur before the cash flow for the Corporation s tranche is negatively impacted, that no other that temporary impairment exists.

The Corporation recorded no gains or losses in earnings for the period that were attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.

Certain assets may be recorded at fair value on a nonrecurring basis. These nonrecurring fair value adjustments typically are a result of the application of the lower of cost or market accounting or a write-down occurring during the period. The following methods and assumptions are used by the Corporation to estimate the fair values of the Corporation s financial assets and liabilities on a nonrecurring basis.

Impaired Loans: Loans considered impaired as defined in FASB ASC Topic 310-10-35 are reserved for at the time the loan is identified as impaired taking into account the fair value of the collateral less estimated selling costs. Collateral may be real estate and/or business assets including but not limited to, equipment, inventory and accounts receivable. The fair value of real estate is determined based on appraisals by qualified licensed appraisers. The fair value of the business assets is generally based on amounts reported on the business s financial statements. Appraised and reported values may be adjusted based on management s historical knowledge, changes in market conditions from the time of valuation and management s knowledge of the client and the client s business. Since not all valuation inputs are observable, these nonrecurring fair value determinations are classified Level 3. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors previously identified.

Other real estate owned: Other real estate owned (OREO) is comprised of commercial and residential real estate obtained in partial and total satisfaction of loan obligations. OREO acquired in settlement of indebtedness is recorded at fair value of the real estate, less costs to sell.

Subsequently, it may be necessary to record nonrecurring fair value adjustments for decline in fair value. Fair value, when recorded, is determined based on appraisals by qualified licensed appraisers and adjusted for management s estimates of costs to sell. As such, values for OREO are classified as Level 3.

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CITIZENS HOLDING COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

As of and for the three and nine months ended September 30, 2009

(Unaudited)

For assets measured at fair value on a nonrecurring basis during the first nine months of 2009 that were still held in the balance sheet at September 30, 2009, the following table provides the hierarchy level and the fair value of the related assets:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals
Impaired loans	$	$	$ 10,063,030	$ 10,063,030
Other real estate owned			3,918,111	3,918,111

Impaired loans with a carrying value of $10,063,030 had an allocated allowance for loan losses of $631,349 at September 30, 2009. The allocated allowance is based on the carrying value of the impaired loan and the fair value of the underlying collateral less estimated costs to sell.

In 2008, OREO with a carrying amount of $100,000 was written down to $80,000, resulting in a write-down of $20,000, which was included in the results of operations for the year ended December 31, 2008. After monitoring the carrying amounts for subsequent declines or impairments after foreclosure, management determined that no further fair value adjustments for OREO were necessary at September 30, 2009.

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CITIZENS HOLDING COMPANY

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

Management s discussion and analysis is written to provide greater insight into the results of operations and the financial condition of Citizens Holding Company and its wholly owned subsidiary, The Citizens Bank of Philadelphia (the Bank, and collectively with Citizens Holding Company, the Corporation).

LIQUIDITY

The Corporation has an asset and liability management program that assists management in maintaining net interest margins during times of both rising and falling interest rates and in maintaining sufficient liquidity. Liquidity is the ratio of net deposits and short-term liabilities divided by net cash, short-term investments and marketable assets. Liquidity of the Corporation at September 30, 2009 was 38.79% and at December 31, 2008 was 36.17%. Management believes it maintains adequate liquidity for the Corporation s current needs.

The Corporation s primary source of liquidity is customer deposits, which were $560,570,067 at September 30, 2009 and $545,927,422 at December 31, 2008. Other sources of liquidity include investment securities, the Corporation s line of credit with the Federal Home Loan Bank (FHLB) and federal funds lines with correspondent banks. The Corporation had $297,407,670 invested in investment securities at September 30, 2009 and $258,023,206 at December 31, 2008. This increase is mainly due to the increase in the amount of securities sold under agreement to repurchase during the first nine months of 2009. The Corporation had secured and unsecured federal funds lines with correspondent banks in the amount of $41,500,000 at September 30, 2009 and $19,500,000 at December 31, 2008. In addition, the Corporation has the ability to draw on its line of credit with the FHLB. At September 30, 2009, the Corporation had unused and available $113,890,325 of its line of credit with the FHLB and at December 31, 2008, the Corporation had unused and available $127,285,491 of its line of credit with the FHLB. The decrease in the amount available under the Corporation s line of credit with the FHLB from the end of 2008 to September 30, 2009 resulted from the Corporation s qualifying collateral decreasing.

At September 30, 2009 and December 31, 2008, the Corporation had no federal funds sold. The Corporation invests its excess liquidity in federal funds sold on an as-needed basis.

When the Corporation has more funds than it needs for its reserve requirements or short-term liquidity needs, the Corporation increases its investment portfolio or sells federal funds. It is management s policy to maintain an adequate portion of its portfolio of assets and liabilities on a short-term basis to insure rate flexibility and to meet loan funding and liquidity needs. When deposits decline or do not grow sufficiently to fund loan demand, management will seek funding either through federal funds purchased or advances from the FHLB.

CAPITAL RESOURCES

The Corporation s equity capital was $77,000,090 at September 30, 2009 as compared to $71,399,638 at December 31, 2008. The main reason for the increase in equity capital was the positive impact of the FASB ASC Section 320-10-65 adjustment due to an increase in the market value of the Corporation s investment portfolio and excess earnings over dividends paid. This market value increase was due to general market conditions, which caused an increase in the market price of the investment portfolio.

Certain employees and directors exercised stock options for 19,238 shares of stock in 2008. These option exercises increased the number of shares outstanding to 4,849,296 at December 31, 2008. In the first nine months of 2009, 5 directors and 11 employees exercised stock options for 37,150 shares of stock, which resulted in 4,870,187 shares outstanding at September 30, 2009. Commencing March 1, 2007, the Corporation implemented a stock repurchase program under which the Corporation may repurchase up to 250,000 shares of its stock on the open market. At the end of the program, February 29, 2008, the Corporation had purchased 160,186 shares at an average price of $21.66.

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Commencing May 1, 2008, the Corporation implemented a stock repurchase program under which the Corporation could repurchase up to 250,000 shares of the Company s common stock on the open market. The Plan was effective as of May 1, 2008 and terminated April 30, 2009. At the end of the program, the Corporation had purchased 44,284 shares at an average price of $21.03.

Effective May 1, 2009, the Corporation renewed its stock repurchase program whereby the Corporation may purchase up to 250,000 shares of the Corporation s common stock on the open market. This plan will terminate no later than April 30, 2010. At September 30, 2009, the Corporation has purchased 3,900 shares at an average price of $23.34, which reduced the number of shares outstanding to 4,870,187.

Cash dividends in the amount of $2,914,986, or $0.60 per share, have been paid in 2009 as of the end of the third quarter.

Quantitative measures established by federal regulations to ensure capital adequacy require the Corporation to maintain minimum amounts and ratios of Total and Tier 1 capital (primarily common stock and retained earnings, less goodwill) to risk weighted assets, and of Tier 1 capital to average assets. Management believes that as of September 30, 2009 the Corporation meets all capital adequacy requirements to which it is subject.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Actions Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2009						
Total Capital (to Risk-Weighted Assets)	$ 77,392,730	15.45%	$ 40,061,944	>8.00%	$ 50,077,430	>10.00%
Tier 1 Capital (to Risk-Weighted Assets)	$ 71,865,399	14.35%	$ 20,030,972	>4.00%	$ 30,046,458	>6.00%
Tier 1 Capital (to Average Assets)	$ 71,865,399	8.78%	$ 32,738,437	>4.00%	$ 40,923,046	>5.00%

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RESULTS OF OPERATIONS

The following table sets forth for the periods indicated, certain items in the consolidated statements of income of the Corporation and the related changes between those periods:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Interest Income, including fees	$ 10,475,065	$ 9,908,721	$ 30,729,180	$ 29,352,869
Interest Expense	2,650,756	3,033,780	8,762,732	10,458,181
Net Interest Income	7,824,309	6,874,941	21,966,448	18,894,688
Provision for Loan Losses	1,123,297	372,105	2,263,642	1,028,914
Net Interest Income after Provision for Loan Losses	6,701,012	6,502,836	19,702,806	17,865,774
Other Income	2,080,827	1,783,426	5,521,968	6,312,169
Other Expense	6,609,912	5,480,229	18,331,529	16,300,399
Income before Provision For Income Taxes	2,171,927	2,806,033	6,893,245	7,877,544
Provision for Income Taxes	434,506	701,680	1,457,133	1,658,069
Net Income	$ 1,737,421	$ 2,104,353	$ 5,436,112	$ 6,219,475
Net Income Per share - Basic	$ 0.36	$ 0.43	$ 1.12	$ 1.28
Net Income Per Share - Diluted	$ 0.35	$ 0.43	$ 1.11	$ 1.27

See Note 3 to the Corporation s Consolidated Financial Statements for an explanation regarding the Corporation s calculation of Net Income Per Share - basic and - diluted.

Annualized return on average equity (ROE) was 9.34% for the three months ended September 30, 2009 and 12.04% for the corresponding period in 2008. For the nine months ended September 30, 2009, ROE was 9.86% compared to 11.84% for the nine months ended September 30, 2008. In both instances, the decrease in ROE was caused by the decrease in net income for the first nine months of 2009 while the average equity increased.

The book value per share increased to $15.81 at September 30, 2009 compared to $14.72 at December 31, 2008. The increase in book value per share reflects the increase in equity due to the amount of earnings in excess of dividends, the increase as a result of the FASB ASC Section 320-10-65 adjustment and the effect of stock options exercised as well as shares repurchased. Average assets for the nine months ended September 30, 2009 were $799,026,437 compared to $702,189,790 for the year ended December 31, 2008.

NET INTEREST INCOME / NET INTEREST MARGIN

One component of the Corporation s earnings is net interest income, which is the difference between the interest and fees earned on loans and investments and the interest paid for deposits and borrowed funds. The net interest margin is net interest income expressed as a percentage of average earning assets.

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The annualized net interest margin was 4.34% for the third quarter of 2009 compared to 4.61% for the corresponding period of 2008. For the nine months ended September 30, 2009 annualized net interest margin was 4.20% as compared to 4.46% for the nine months ended September 30, 2008. The decrease in net interest margin from 2008 to 2009 is the result of a larger decrease in yields on earnings assets compared to the decrease in rates paid on deposits and borrowed funds, as detailed below. Earning assets averaged $748,856,303 for the three months ended September 30, 2009. This represents an increase of $135,950,128, or 22.2%, over average earning assets of $612,906,175 for the three month period ended September 30, 2008. Earnings assets averaged $726,015,074 for the nine months ended September 30, 2009. This represents an increase of $99,304,406, or 15.8% over average earning assets of $626,710,668 for the nine months ended September 30, 2008. The increase in earning assets for the three and nine months ended September 30, 2009 is the result of the normal growth pattern of the Corporation and not due to any special investments or acquisitions.

Interest bearing deposits averaged $478,826,308 for the three months ended September 30, 2009. This represents an increase of $68,466,631, or 16.7%, over the average of interest bearing deposits of $410,359,677 for the three month period ended September 30, 2008. This was due to an increase in each category of deposits outstanding. Other borrowed funds averaged $177,597,693 for the three months ended September 30, 2009. This represents an increase of $57,629,676, or 48.0%, over the other borrowed funds of $119,968,017 for the three month period ended September 30, 2008. This increase was due mainly to an increase in the Commercial Repo Liability. Interest bearing deposits averaged 477,150,317 for the nine months ended September 30, 2009. This represents an increase of $68,433,225, or 16.7%, over the average of interest bearing deposits of $408,717,092 for the nine month period ended September 30, 2008. This was due to an increase in each category of deposits outstanding. Other borrowed funds averaged $158,214,440 for the nine months ended September 30, 2009. This represents an increase of $28,878,370, or 22.3%, over the other borrowed funds of $129,336,070 for the nine month period ended September 30, 2008. The increase in other borrowed funds was primarily due to a $54,743,459 increase in the Commercial Repo Liability offset by a $23,570,182 decrease in the Sweep Account Liability, a $577,436 decrease in Federal Funds Purchased, a decrease in the ABE loan liability of $212,932 and a decrease in the Federal Home Loan Bank advances of $1,504,539 for the nine month period ended September 30, 2009 when compared to the nine month period ended September 30, 2008.

Net interest income was $7,824,309 for the three month period ended September 30, 2009, an increase of $949,368 from the $6,874,941 for the three month period ended September 30, 2008, primarily due to change in volume, which was partially offset by the decrease in rate, as detailed below. The changes in volume in earning assets and in deposits and in borrowed funds are discussed above. As to changes in rate, in the three month period ended September 30, 2009, the rates paid on deposits and borrowed funds decreased less than the yield on earning assets as compared to the changes in rates and yields in the same period in 2008. The yield on all interest bearing assets decreased 89 basis points to 5.75% in the third quarter of 2009 from 6.64% for the same period in 2008. At the same time, the rate paid on all interest bearing liabilities for the third quarter of 2009 decreased 66 basis points to 1.62% from 2.28% in the same period of 2008. Net interest income was $21,966,448 for the nine months ended September 30, 2009, an increase of $3,071,760 from the $18,894,688 for the nine month period ended September 30, 2008, primarily due to change in volume, which was partially offset by the decrease in rate, as discussed below. The changes in volume in earning assets and in deposits and in borrowed funds are discussed above. As to changes in rate, in the nine month period ended September 30, 2009, the rates paid on deposits and borrowed funds decreased less than the yield on earning assets as compared to the changes in rates and yields in the same period in 2008. The yield on all interest bearing assets decreased 87 basis points to 5.80% in the first nine months of 2009 from 6.67% for the same period in 2008. At the same time, the rate paid on all interest bearing liabilities for the first nine months of 2009 decreased 75 basis points to 1.84% from 2.59% in the same period of 2008.

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The following table shows the interest and fees and corresponding yields for loans only.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Interest and Fees	$ 7,368,838	$ 7,382,418	$ 22,007,962	$ 21,899,227
Average Loans	442,035,406	401,647,346	439,619,343	391,112,280
Annualized Yield	6.67%	7.35%	6.67%	7.47%

The decrease in interest rates in the three and nine month period ended September 30, 2009 reflects the decrease in all loan interest rates for both new and refinanced loans in the period.

CREDIT LOSS EXPERIENCE

As a natural corollary to the Corporation s lending activities, some loan losses are to be expected. The risk of loss varies with the type of loan being made and the creditworthiness of the borrower over the term of the loan. The degree of perceived risk is taken into account in establishing the structure of, and interest rates and security for, specific loans and for various types of loans. The Corporation attempts to minimize its credit risk exposure by use of thorough loan application and approval procedures.

The Corporation maintains a program of systematic review of its existing loans. Loans are graded for their overall quality. Those loans, which the Corporation s management determines require further monitoring and supervision are segregated and reviewed on a periodic basis. Significant problem loans are reviewed on a monthly basis by the Corporation s Board of Directors.

The Corporation charges off that portion of any loan that management has determined to be a loss. A loan is generally considered by management to represent a loss in whole or in part when exposure beyond the collateral value is apparent, servicing of the unsecured portion has been discontinued or collection is not anticipated based on the borrower s financial condition. The general economic conditions in the borrower s industry influence this determination. The principal amount of any loan that is declared a loss is charged against the Corporation s allowance for loan losses.

The Corporation s allowance for loan losses is designed to provide for loan losses, which can be reasonably anticipated. The allowance for loan losses is established through charges to operating expenses in the form of provisions for loan losses. Actual loan losses or recoveries are charged or credited to the allowance for loan losses. Management of the Corporation determines the amount of the allowance. Among the factors considered in determining the allowance for loan losses are the current financial condition of the Corporation s borrowers and the value of security, if any, for their loans. Estimates of future economic conditions and their impact on various industries and individual borrowers are also taken into consideration, as are the Corporation s historical loan loss experience and reports of banking regulatory authorities. As these estimates, factors and evaluations are primarily judgmental, no assurance can be given as to whether the Corporation will sustain loan losses in excess or below its allowance or that subsequent evaluation of the loan portfolio may not require material increases or decreases in such allowance.

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The following table summarizes the Corporation s allowance for loan losses for the dates indicated:

	Year to Date September 30, 2009	Year to Date December 31, 2008	Amount of Increase (Decrease)	Percent of Increase (Decrease)
BALANCES:				
Gross Loans	$ 447,189,882	$ 428,705,256	$ 18,484,626	4.31%
Allowance for Loan Losses	5,527,331	4,479,585	1,047,746	23.39%
Nonaccrual Loans	9,870,313	1,396,885	8,473,428	606.59%
Ratios:				
Allowance for loan losses to gross loans	1.24%	1.04%		
Net loans charged off to allowance for loan losses	21.97%	15.90%		

The provision for loan losses for the three months ended September 30, 2009 was $1,123,297, an increase of $751,192 over the $372,105 provision for the same period in 2008. The provision for loan losses was $2,263,642 for the nine months ended September 30, 2009 compared to a provision of $1,028,914 for the nine months ended September 30, 2008. The provision in the three month period ended September 30, 2009 reflects an increase in the amount of loans outstanding and the effect of loans charged-off in the third quarter of 2009.

For the three months ended September 30, 2009, net loan losses charged to the allowance for loan losses totaled $473,131, an increase of $246,531 over the $226,600 charged off in the same period in 2008. For the nine months ended September 30, 2009, net loan losses charged to the allowance for loan losses totaled $1,214,528, an increase of $603,434 over the $611,094 charged off in the same period in 2008.

Management of the Corporation reviews with the Board of Directors the adequacy of the allowance for loan losses on a quarterly basis. The loan loss provision is adjusted when specific items reflect a need for such an adjustment. Management believes that there were no material loan losses during the first nine months of 2009 that have not been charged off. Management also believes that the Corporation s allowance will be adequate to absorb probable losses inherent in the Corporation s loan portfolio. However, in light of overall economic conditions in the Corporation s geographic area and the nation as a whole, it is possible that additional provisions for loan loss may be required.

NON-INTEREST INCOME

Non-interest income includes service charges on deposit accounts, wire transfer fees, safe deposit box rentals and other revenue not derived from interest on earning assets. Non-interest income for the three months ended September 30, 2009 was $2,080,827, an increase of $297,401, or 16.7%, compared to $1,783,426 for the same period in 2008. Service charges on deposit accounts increased $18,273, or 1.7%, to $1,081,059 in the three months ended September 30, 2009 compared to $1,062,786 for the same period in 2008. Other service charges and fees increased $69,674, or 21.4%, in the three months ended September 30, 2009 compared to the same period in 2008. The difference in fee income was the result of increase in volume and not a direct result of fee changes.

Non-interest income for the nine months ended September 30, 2009 was $5,521,968, a decrease of $790,201, or 12.5%, compared to $6,312,169 for the same period in 2008. Service charges on deposit accounts decreased $7,752, or 0.3%, to $3,009,826 in the nine months ended September 30, 2009 compared to $3,017,578 for the same period in 2008. Other service charges and fees increased $175,321, or 19.7%, in the nine months ended September 30, 2009 compared to the same period in 2008. The difference in fee income was the result of an increase in volume and not a direct result of fee changes.

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During the second quarter of 2008, the Bank received proceeds from bank owned life insurance that insured the life of one of its officers. These net proceeds resulted in an additional $772,771 in other income for the 2008 second quarter and the 2008 year to date.

The following is a detail of the other major income classifications that are included in Other Income under Non-Interest Income on the income statement.

	Three months ended September 30,		Nine months ended September 30,	
Other Income	**2009**	**2008**	**2009**	**2008**
BOLI Insurance	$ 123,998	$ 180,773	$ 486,816	$ 539,526
Mortgage Loan Origination Income	100,679	87,890	236,523	214,942
Shay Investments Income				441,588
Other Income	379,721	126,281	724,248	1,209,301
Total Other Income	$ 604,398	$ 394,944	$ 1,447,587	$ 2,405,357

NON-INTEREST EXPENSE

Non-interest expenses include salaries and employee benefits, occupancy and equipment, and other operating expenses. Aggregate non-interest expenses for the three month period ended September 30, 2009 and 2008 were $6,609,912 and $5,480,229, respectively, an increase of $1,129,683, or 20.6%, from 2008 to 2009. Salaries and benefits increased to $3,281,090 for the three months ended September 30, 2009 from $3,019,748 for the same period in 2008. This represents an increase of $261,342, or 8.7%. Occupancy expense increased $186,962, or 20.5%, to $1,099,080 in the three months ended September 30, 2009 when compared to the same period of 2008. Occupancy expense increased due to increases in depreciation, equipment rental, service contracts and utilities.

Total non-interest expenses for the nine month period ended September 30, 2009 and 2008 were $18,331,529 and $16,300,399, respectively, an increase of $2,031,130, or 12.5%, from 2008 to 2009. Salaries and benefits increased to $9,646,435 for the nine months ended September 30, 2009 from $8,974,575 for the same period in 2008. This represents an increase of $671,860, or 7.5%. Occupancy expense increased $356,787, or 13.2%, to $3,061,057 in the nine months ended September 30, 2009 when compared to the same period of 2008. Occupancy expense increased due to increases in depreciation, equipment rental, service contracts and utilities.

During the second quarter of 2008, benefits were paid out to the beneficiary of an officer of the bank under the Bank s Supplemental Executive Retirement Plan in the amount of $259,945. This amount is reflected in the increase of the 2008 nine months other non-interest expense.

During the second quarter of 2009, the Corporation expensed the special FDIC assessment that all banks were required to pay on September 30, 2009. The amount of the special FDIC assessment expensed during the quarter was $373,125 and is reflected in other operating expense.

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The following is a detail of the major expense classifications that make up the other operating expense line item in the income statement.

Other Operating Expense	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Intangible amortization	$ 46,173	$ 119,462	$ 138,518	$ 388,213
Advertising	171,491	197,418	493,030	573,526
Office supplies	134,133	130,018	404,206	446,040
Legal and audit fees	92,213	95,155	333,853	286,669
Telephone expense	229,159	151,967	521,271	367,885
Postage and freight	118,241	78,589	269,172	250,899
Loan collection expense	93,750	55,619	209,336	114,287
Other losses	389,783	148,510	541,776	228,323
FDIC & State assessment	213,985	40,131	799,278	104,676
Other expenses	740,814	531,494	1,913,597	1,861,036
Total Other Operating Expense	$ 2,229,742	$ 1,548,363	$ 5,624,037	$ 4,621,554

The Corporation s efficiency ratio for the three months ended September 30, 2009 was 64.61% compared to the 61.33% for the same period in 2008. For the nine months ended September 30, 2009 and 2008, the Corporation s efficiency ratio was 64.55% and 62.62%, respectively. The efficiency ratio is the ratio of non-interest expenses divided by the sum of net interest income (on a fully tax equivalent basis) and non-interest income.

BALANCE SHEET ANALYSIS

	September 30, 2009	December 31, 2008	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Cash and Due From Banks	$ 19,521,234	$ 28,844,221	$ (9,322,987)	-32.32%
Interest Bearing Bank Balances	5,838,349	1,001,611	4,836,738	482.90%
Investment Securities	297,407,670	258,023,206	39,384,464	15.26%
Loans, net	441,344,684	424,225,671	17,119,013	4.04%
Total Assets	819,337,672	766,047,332	53,290,340	6.96%
Total Deposits	560,570,067	545,927,422	14,642,645	2.68%
Total Stockholders Equity	77,000,090	71,399,638	5,600,452	7.84%

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are made up of cash, balances at correspondent banks and items in process of collection. The balance at September 30, 2009 was $19,521,234, a decrease of $9,322,987 from the balance of $28,844,221 at December 31, 2008. This decrease was due to a smaller uncollected cash letter on the last day of the quarter, as compared to the larger uncollected cash letter at December 31, 2008.

PREMISES AND EQUIPMENT

During the nine month period ended September 30, 2009, premises and equipment increased $1,383,716, or 8.1%, to $18,565,798, when compared to $17,182,082 at December 31, 2008. The increase was due to the addition of property and equipment in the normal course of business as well as the purchase of a lot in Hattiesburg, MS for the future development of a new branch building. The Bank completed construction and opened a new full service branch in Carthage, Mississippi in late 2008.

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INVESTMENT SECURITIES

The investment securities portfolio is made up of U. S. Treasury Notes, U. S. Agency debentures, mortgage-backed securities, obligations of states, counties and municipal governments and FHLB stock. Investments at September 30, 2009 increased $39,384,464, or 15.3%, to $297,407,670 from the balance at December 31, 2008. This increase is primarily due to the growth in the securities sold under agreement to repurchase program, an increase in deposits and an increase in Federal Home Loan Bank advances.

LOANS

The loan balance increased by $17,119,013, or 4.0%, during the nine month period ended September 30, 2009 to $441,344,684 from $424,225,671 at December 31, 2008. No material changes were made to the loan products offered by the Corporation during this period and there has been no material shift in the loan portfolio mix. The following table shows the changes in each of the major loan segments.

	September 30, 2009	December 31, 2008	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Commercial, Financial and Agricultural Loans	$ 220,217,348	$ 210,272,239	$ 9,945,109	4.73%
Real Estate-Construction	31,207,812	26,653,399	4,554,413	17.09%
Real Estate-Mortgage	147,008,224	137,409,820	9,598,404	6.99%
Consumer	48,756,497	54,713,585	(5,957,088)	-10.89%
Total Assets	447,189,881	429,049,043	18,140,838	4.23%

DEPOSITS

The following table shows the balance and percentage change in the various deposits:

	September 30, 2009	December 31, 2008	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Noninterest-bearing Deposits	$ 81,606,840	$ 95,650,137	$ (14,043,297)	-14.68%
Interest-bearing Deposits	166,279,470	151,173,161	15,106,309	9.99%
Savings	35,175,144	32,162,992	3,012,152	9.37%
Certificates of Deposit	277,508,613	266,941,132	10,567,481	3.96%
Total Deposits	$ 560,570,067	$ 545,927,422	$ 14,642,645	2.68%

All classifications of deposits, with the exception of noninterest-bearing deposits, increased during the nine months ended September 30, 2009. The Corporation decreased its rates paid on interest bearing deposits in response to the rates paid in our market area and as a result of the increases in deposits. Management continually monitors the interest rates on loan and deposit products to ensure that the Corporation is in line with the rates dictated by the market.

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OFF-BALANCE SHEET ARRANGEMENTS

Refer to Note 2 in the notes to the consolidated financial statements included in this report for a discussion of the nature and extent of the Corporation s off-balance sheet arrangements, which consist of commitments to fund loans and letters of credit.

CONTRACTUAL OBLIGATIONS

There have been no material changes outside of the ordinary course of the Corporation s business to the contractual obligations set forth in Note 12 to the Corporation s financial statements contained in the Corporation s Annual Report on Form 10-K for the year ended December 31, 2008ne; FONT-FAMILY: times new roman; FONT-SIZE: 10pt">Waste Connections, Inc.

2,949,388

110,900,229

INFORMATION TECHNOLOGY (10.3%)

25,000

Accenture PLC Class A

2,055,500

19,400

Alliance Data Systems Corp. *

5,100,842

30,800

Amphenol Corp. Class A

2,746,744

9,700

Anixter International Inc.

871,448

60,000

ANSYS, Inc. *

5,232,000

17,000

Automatic Data Processing, Inc.	
	1,373,770
	42,000
Cognizant Technology Solutions Corp. Class A *	
	4,241,160
	14,600
Equinix, Inc. *	
	2,590,770
	16,400
Fiserv, Inc. *	
	968,420
	8,600
MasterCard, Inc. Class A	
	7,184,956
	11,200
MICROS Systems, Inc. *	
	642,544
	75,000
Salesforce.com, Inc. *	
	4,139,250
	51,000
Trimble Navigation Ltd. *	
	1,769,700
	3,800
Ultimate Software Group, Inc. (The) *	
	582,236

20,300

WEX, Inc. *

2,010,309

41,509,649

Shares		Value
	MATERIALS (8.0%)	
15,000	Air Products & Chemicals, Inc.	$ 1,676,700
8,000	Airgas, Inc.	894,800
3,600	Albemarle Corp.	228,204
30,700	AptarGroup, Inc.	2,081,767
20,000	Ball Corp.	1,033,200
11,800	BASF SE ADR (1)	1,271,922
4,000	Compass Minerals International, Inc.	320,200
29,000	Crown Holdings, Inc. *	1,292,530
1,200	Cytec Industries, Inc.	111,792
43,000	Ecolab, Inc.	4,483,610
40,000	FMC Corp.	3,018,400
6,600	NewMarket Corp. (1)	2,205,390
31,000	Praxair, Inc.	4,030,930
24,000	Rockwood Holdings, Inc.	1,726,080
20,200	Scotts Miracle-Gro Co. (The) Class A	1,256,844
30,000	Sigma-Aldrich Corp.	2,820,300
12,800	Syngenta AG ADR	1,023,232
39,000	Valspar Corp. (The)	2,780,310
		32,256,211
	TELECOMMUNICATION SERVICES (1.6%)	
36,000	Crown Castle International Corp. *	2,643,480
43,000	SBA Communications Corp. Class A *	3,863,120
		6,506,600
	UTILITIES (2.7%)	
165,600	Cia de Saneamento Basico do Estado de Sao Paulo ADR (1)	1,877,904
20,000	ITC Holdings Corp.	1,916,400
17,400	MDU Resources Group, Inc.	531,570
13,000	NextEra Energy, Inc.	1,113,060
32,000	ONEOK, Inc.	1,989,760
52,000	Questar Corp.	1,195,480
14,000	Sempra Energy	1,256,640
26,800	Wisconsin Energy Corp.	1,107,912
		10,988,726
	TOTAL COMMON STOCKS (Cost $188,819,815) (98.6%)	396,539,636

Principal

Amount			Value
SHORT-TERM INVESTMENTS (4.7%)			
		REPURCHASE AGREEMENTS (1.1%)	
$	4,100,000	With Morgan Stanley, 0.01%, dated 12/31/13, due 01/02/14, delivery value $4,100,002 (collateralized by $4,175,000 U.S.Treasury Notes 1.000% due 03/31/17, with a value of $4,195,567)	$ 4,100,000
		JOINT REPURCHASE AGREEMENTS (INVESTMENTS OF CASH COLLATERAL FOR SECURITIES ON LOAN) (3.6%)	
	5,347,820	Joint Repurchase Agreement with Morgan Stanley, 0.02%, dated 12/31/13, due 01/02/14, delivery value $5,347,826 (collateralized by $5,454,778 U.S. Treasury Bonds 4.250% - 8.000% due 11/15/21 - 11/15/40 and U.S. Treasury Notes 2.625% - 2.750% due 11/15/20 - 11/15/23, with a value of $5,427,020)	5,347,820
	7,894,401	Joint Repurchase Agreement with Barclays, 0.01%, dated 12/31/13, due 01/02/14, delivery value $7,894,405 (collateralized by $8,052,300 U.S. Treasury Inflation Indexed Notes 1.250% - 1.875% due 04/15/14 - 07/15/15, with a value of $7,991,429)	7,894,401

See Notes to Financial Statements.

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Schedule of Investments (continued)

Principal Amount			Value
$	1,273,290	Joint Repurchase Agreement with Citigroup, 0.01%, dated 12/31/13, due 01/02/14, delivery value $1,273,291 (collateralized by $1,298,770 U.S. Treasury Bills 0.000% due 02/20/14, with a value of $1,298,770)	$ 1,273,290
			14,515,511
		TOTAL SHORT-TERM INVESTMENTS (Cost $18,615,511) (4.7%)	18,615,511

Principal Amount		Value
	TOTAL INVESTMENT SECURITIES (103.3%) (Cost $207,435,326)	$ 415,155,147

EXCESS OF LIABILITIES OVER CASH AND OTHER ASSETS (-3.3%)	(13,082,195)
NET ASSETS (100%)	$ 402,072,952
NET ASSET VALUE OFFERING AND REDEMPTION PRICE, PER OUTSTANDING SHARE ($402,072,952 ÷ 11,828,557 shares outstanding)	$ 33.99

* Non-income producing.
(1) A portion or all of the security was held on loan. As of December 31, 2013, the market value of the securities on loan was $15,893,168.
ADR American Depositary Receipt.
REIT Real Estate Investment Trust.

The following table summarizes the inputs used to value the Fund's investments in securities as of December 31, 2013 (See Note 1B):

Value Line Premier Growth Fund, Inc.	Level 1	Level 2	Level 3	Total
Assets:				
Common Stocks	$396,539,636	$ —	$—	$ 396,539,636
Short-Term Investment	—	18,615,511	—	18,615,511
Total	$396,539,636	$18,615,511	$—	$415,155,147

See Notes to Financial Statements.
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THE VALUE LINE FUND, INC.

INVESTMENT OBJECTIVE AND STRATEGY

The Fund's primary investment objective is long-term growth of capital. Current income is a secondary investment objective.

To achieve the Fund's investment objectives the Advisor invests substantially all of the Fund's net assets in common stocks. While the Fund is actively managed by the Adviser, the Adviser relies primarily on the rankings of companies by the Value Line Timeliness™ Ranking System (the "Ranking System") in selecting securities for purchase or sale. The Fund's investments principally are selected from common stocks ranked 1, 2 or 3 by the Ranking System at the time of purchase. The Adviser will determine the percentage of the Fund's assets invested in each stock based on the stock's relative attractiveness.

Manager Discussion of Fund Performance

Below, The Value Line Fund, Inc. portfolio manager Stephen E. Grant discusses the Fund's performance and positioning for the 12 months ended December 31, 2013.

How did the Fund perform during the annual period?

The Fund generated a total return of 30.86% during the 12 months ended December 31, 2013. This compares to the 32.39% return of the Fund's benchmark, the S&P 500® Index, during the same period.

What key factors were responsible for the Fund's performance during the 12-month reporting period?

While the Fund generated robust double-digit absolute gains, its underperformance of the S&P 500® Index during the 12-month reporting period can be attributed primarily to holding a position in cash during a strong rally in the U.S. equity market. Stock selection and sector allocation overall provided mixed results.

Which equity market sectors most significantly affected Fund performance?

Stock selection in the health care sector detracted from the Fund's performance during the annual period. A lesser exposure than the S&P 500® Index to the strongly performing biotechnology industry particularly dampened results. Having an underweighted allocation to the financials sector, which outpaced the S&P 500® Index during the annual period, and an overweighted position in the materials sector, which lagged the S&P 500® Index during the annual period, also detracted. Perhaps most significantly, holding an average 2% position in cash during a period when the U.S. equity market rallied hurt.

Offsetting these detractors were the positive contributions made by effective stock selection in the information technology, consumer staples and energy sectors, having an overweighted allocation in the strongly performing industrials sector, and having an underweighted allocation to the lagging energy sector.

Which stocks detracted significantly from the Fund's performance during the annual period?

During the annual period, among the stocks that detracted most from the Fund’s relative performance were overweighted positions in several health care laggards. These included positions in cardiovascular device manufacturer Edwards Lifesciences, pharmacy benefits management services provider Catamaran and surgical systems manufacturer Intuitive Surgical.

What were some of the Fund’s best-performing individual stocks?

Among the individual stocks that contributed most to the Fund’s relative results were three sizable positions in the information technology sector—namely, Alliance Data Systems, which provides data-driven and transaction-based marketing and customer loyalty solutions; MasterCard, which is a global payment solutions company that provides a variety of services in support of the credit, debt and related payment programs of financial institutions; and Open Text, which provides intranet, extranet and corporate portal solutions to organizations. Avoiding several laggards in the information technology sector, such as Apple, IBM and Oracle, boosted the Fund’s results as well.

Several Fund positions in the industrials sector added value. Top contributors in the sector were inland tank barge fleet operator Kirby, construction and engineering services firm Chicago Bridge & Iron, flow control equipment manufacturer IDEX, food preparation equipment manufacturer Middleby and aerospace and defense company HEICO.

In the consumer staples sector, positions in brewer The Boston Beer Company, food products manufacturer Hormel Foods and bakery foods producer Flowers Foods were outstanding performers. We also successfully avoided positions in several giant-capitalization laggards during the annual period, including The Coca-Cola Company, Altria Group, The Wal-Mart Stores and Procter & Gamble.

(continued)

How did the Fund use derivatives and similar instruments during the reporting period?

The Fund did not use derivatives during the reporting period.

Did the Fund make any significant purchases or sales during the fiscal year?

In our view, the Fund was under-represented in the energy sector, so to enhance diversification, we were glad to identify two stocks that we believed well deserved to be in the portfolio—Chevron, one of the world's largest integrated oil companies, and EQT, an integrated energy company with emphasis on Appalachian area natural gas supply, transmission and distribution. Both companies had inconsistent results prior to 2003, but over the past decade have demonstrated the ability to consistently grow their earnings and stock price. In each case, we purchased shares as a dip in their respective share prices offered what we believed to be an attractive entry point.

We initiated a Fund position in insurance company Prudential because, in our view, its earnings and stock price appeared to be back on a good growth track after struggling in the wake of the country's financial crisis.

We reduced the Fund's position in rail freight transportation company Union Pacific, taking profits after a strong run. We eliminated the Fund's position in leather goods retailer Coach, as the company reported worse than expected earnings results. We sold the Fund's position in food retailer Harris Teeter Supermarkets after its stock rose in response to a takeover bid by competitor Kroger.

Were there any notable changes in the Fund's weightings during the 12-month period?

There were no material changes in the Fund's sector weightings during the 12-month period ended December 31, 2013.

How was the Fund positioned relative to its benchmark index at the end of December 2013?

As of December 31, 2013, the Fund was overweighted relative to the S&P 500® Index in the industrials, consumer discretionary and materials sectors. The Fund was underweighted relative to the S&P 500® Index in the energy, financials and information technology sectors and rather neutrally weighted relative to the Index in the health care, consumer staples, utilities and telecommunication services sectors on the same date.

What is your tactical view and strategy for the months ahead?

Calendar year 2013 saw lower quality stocks outperform higher quality stocks, as investors became more bold and more confident in the economy and the financial system. Speculative stocks, such as those of biotechnology companies, and Initial Public Offerings, such as those of Facebook and Twitter, outperformed the broad U.S. equity market, along with the more cyclical, economically-sensitive stocks. Lagging were the more consistent, "steady-eddy," long-term growth stocks in which we traditionally invest, i.e., those companies that have established strongholds in their market or market niche through proprietary products or services, which, in our view, gives them greater control of their own destiny and makes them less subject to ups and downs of the economy. We consider the Fund's underperformance of the S&P 500® Index in 2013 as part of the natural ebb and flow of the market, as the lower quality stocks that performed poorly in 2011 and 2012 regained some ground. We do not know whether the trends of 2013 will continue into the new year, but, regardless of market trends and conditions, we do not intend to vary from our strategy of investing in high quality securities with a long-term perspective. Our portfolio turnover and trading costs have remained lower than many of our peers, as we have patience with a consistent grower until a change in the company’s strategy or its earnings and stock performance give solid reason to sell.

As always, we intend to stay true to our time-tested investment discipline going forward.

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The Value Line Fund, Inc.
Portfolio Highlights at December 31, 2013 (unaudited)

Ten Largest Holdings

Issue	Shares		Value	Percentage of Net Assets
Rollins, Inc.	75,600	$	2,289,924	1.8%
Alliance Data Systems Corp.	8,300		2,182,319	1.7%
TJX Companies, Inc. (The)	32,000		2,039,360	1.6%
AMETEK, Inc.	36,750		1,935,622	1.5%
MasterCard, Inc. Class A	2,300		1,921,558	1.5%
AutoZone, Inc.	4,000		1,911,760	1.5%
Yum! Brands, Inc.	24,800		1,875,128	1.5%
Affiliated Managers Group, Inc.	8,000		1,735,040	1.4%
Church & Dwight Co., Inc.	26,000		1,723,280	1.4%
Roper Industries, Inc.	12,400		1,719,632	1.4%

Asset Allocation – Percentage of Net Assets

Sector Weightings – Percentage of Total Investment Securities*

*Sector weightings exclude short-term investments.

(continued)

The following graph compares the performance of The Value Line Fund, Inc. to that of the S&P 500 Index (the "Index"). The Value Line Fund, Inc. is a professionally managed mutual fund, while the Index is not available for investment and is unmanaged. The returns for the Index do not reflect charges, expenses or taxes, but do include the reinvestment of dividends. The comparison is shown for illustrative purposes only.

Comparison of a Change in Value of a $10,000 Investment in The Value Line Fund, Inc. and the S&P 500 Index*

Performance Data: **

	Average Annual Total Return		Growth of an Assumed Investment of $10,000
1 year ended 12/31/13	30.86	%	$13,086
5 years ended 12/31/13	16.87	%	$21,800
10 years ended 12/31/13	5.45	%	$17,004

* The Standard and Poor's 500 Stock Index is an unmanaged index that is representative of the larger-capitalization stocks traded in the United States.

** The performance data quoted represent past performance and are no guarantee of future performance. The average annual total returns and growth of an assumed investment of $10,000 include dividends reinvested and capital gains distributions accepted in shares. The investment return and principal value of an investment will fluctuate so that an investment, when redeemed, may be worth more or less than its original cost. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

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The Value Line Fund, Inc.
Schedule of Investments December 31, 2013

Shares		Value
COMMON STOCKS (98.0%)		
	CONSUMER DISCRETIONARY (13.2%)	
4,000	AutoZone, Inc. *	$ 1,911,760
13,600	BorgWarner, Inc.	760,376
22,400	Brinker International, Inc.	1,038,016
6,000	Buckle, Inc. (The) (1)	315,360
7,600	Buffalo Wild Wings, Inc. *	1,118,720
12,300	Dick's Sporting Goods, Inc.	714,630
7,000	Domino's Pizza, Inc.	487,550
8,700	Gildan Activewear, Inc.	463,797
33,000	LKQ Corp. *	1,085,700
15,300	McDonald's Corp.	1,484,559
10,000	NIKE, Inc. Class B	786,400
3,200	O'Reilly Automotive, Inc. *	411,872
10,400	Penn National Gaming, Inc. *	149,032
9,300	Starbucks Corp.	729,027
32,000	TJX Companies, Inc. (The)	2,039,360
10,400	VF Corp.	648,336
16,800	Wolverine World Wide, Inc.	570,528
24,800	Yum! Brands, Inc.	1,875,128
		16,590,151
	CONSUMER STAPLES (10.8%)	
3,100	Boston Beer Co., Inc. (The) Class A *	749,549
4,900	British American Tobacco PLC ADR	526,358
4,000	Bunge Ltd.	328,440
11,400	Casey's General Stores, Inc.	800,850
26,000	Church & Dwight Co., Inc.	1,723,280
7,000	Costco Wholesale Corp.	833,070
7,500	Energizer Holdings, Inc.	811,800
40,500	Flowers Foods, Inc.	869,535
19,000	General Mills, Inc.	948,290
33,000	Hormel Foods Corp.	1,490,610
15,700	Ingredion, Inc.	1,074,822
18,100	J&J Snack Foods Corp.	1,603,479
9,000	PepsiCo, Inc.	746,460
6,000	Reynolds American, Inc.	299,940
12,000	Whole Foods Market, Inc.	693,960
		13,500,443
	ENERGY (3.2%)	
6,000	Chevron Corp.	749,460
2,000	Core Laboratories N.V.	381,900

14,000	Enbridge, Inc.	611,520
10,000	EQT Corp.	897,800
5,600	FMC Technologies, Inc. *	292,376
13,400	Noble Energy, Inc.	912,674
2,600	Oceaneering International, Inc.	205,088
		4,050,818
	FINANCIALS (6.6%)	
8,000	Affiliated Managers Group, Inc. *	1,735,040
20,000	AFLAC, Inc.	1,336,000

Shares		Value
9,000	American Tower Corp. REIT	$ 718,380
3,000	BlackRock, Inc.	949,410
500	Everest Re Group Ltd.	77,935
10,400	Gaming and Leisure Properties, Inc. REIT *	528,424
6,300	M&T Bank Corp. (1)	733,446
4,400	MetLife, Inc.	237,248
2,000	PartnerRe Ltd.	210,860
5,000	Prudential Financial, Inc.	461,100
8,000	Royal Bank of Canada	537,840
4,900	Stifel Financial Corp. *	234,808
6,600	T. Rowe Price Group, Inc.	552,882
		8,313,373
	HEALTH CARE (12.1%)	
11,600	Alexion Pharmaceuticals, Inc. *	1,543,496
9,600	Allergan, Inc.	1,066,368
5,800	C.R. Bard, Inc.	776,852
13,740	Catamaran Corp. *	652,375
20,400	Cerner Corp. *	1,137,096
800	Cooper Cos., Inc. (The)	99,072
1,500	DaVita HealthCare Partners, Inc. *	95,055
3,900	DENTSPLY International, Inc.	189,072
6,000	Edwards Lifesciences Corp. *	394,560
15,340	Express Scripts Holding Co *	1,077,482
12,700	Henry Schein, Inc. *	1,451,102
5,400	IDEXX Laboratories, Inc. *	574,398
4,800	McKesson Corp.	774,720
16,800	Mednax, Inc. *	896,784
4,700	Mettler-Toledo International, Inc. *	1,140,173
9,100	Novo Nordisk A/S ADR	1,681,316
10,000	Teva Pharmaceutical Industries Ltd. ADR	400,800
10,200	Thermo Fisher Scientific, Inc.	1,135,770
1,400	Universal Health Services, Inc. Class B	113,764
		15,200,255
	INDUSTRIALS (28.5%)	
7,800	Acuity Brands, Inc.	852,696
36,750	AMETEK, Inc.	1,935,622
22,200	Canadian National Railway Co.	1,265,844

800	Canadian Pacific Railway Ltd.	121,056
10,000	Chicago Bridge & Iron Co. N.V.	831,400
15,000	CLARCOR, Inc.	965,250
6,000	Clean Harbors, Inc. *	359,760
20,700	Danaher Corp.	1,598,040
31,000	Donaldson Co., Inc.	1,347,260
4,800	Equifax, Inc.	331,632
2,400	Esterline Technologies Corp. *	244,704
8,000	Fastenal Co.	380,080
7,000	FedEx Corp.	1,006,390

Shares		Value
7,900	General Dynamics Corp.	$ 754,845
7,300	Graco, Inc.	570,276
13,983	HEICO Corp.	810,315
15,000	IDEX Corp.	1,107,750
3,500	IHS, Inc. Class A *	418,950
5,850	ITT Corp.	254,007
6,800	J.B. Hunt Transport Services, Inc.	525,640
8,200	Kansas City Southern	1,015,406
14,700	Kirby Corp. *	1,458,975
5,400	L-3 Communications Holdings, Inc.	577,044
2,000	Lincoln Electric Holdings, Inc.	142,680
2,300	Middleby Corp. (The) *	551,931
2,500	Oshkosh Corp.	125,950
9,200	Parker Hannifin Corp.	1,183,488
5,700	Precision Castparts Corp.	1,535,010
19,000	Republic Services, Inc.	630,800
2,800	Rockwell Automation, Inc.	330,848
75,600	Rollins, Inc.	2,289,924
12,400	Roper Industries, Inc.	1,719,632
12,000	Stericycle, Inc. *	1,394,040
15,600	Toro Co. (The)	992,160
4,800	Union Pacific Corp.	806,400
11,400	United Technologies Corp.	1,297,320
5,600	Valmont Industries, Inc.	835,072
4,900	W.W. Grainger, Inc.	1,251,558
10,500	Wabtec Corp.	779,835
25,300	Waste Connections, Inc.	1,103,839
		35,703,429
	INFORMATION TECHNOLOGY (10.9%)	
17,800	Accenture PLC Class A	1,463,516
8,300	Alliance Data Systems Corp. *	2,182,319
7,000	Amphenol Corp. Class A	624,260
3,700	Anixter International, Inc.	332,408
13,500	ANSYS, Inc. *	1,177,200
6,500	Automatic Data Processing, Inc.	525,265
16,000	Cognizant Technology Solutions Corp. Class A *	1,615,680
3,500	Equinix, Inc. *	621,075
5,400	Fiserv, Inc. *	318,870

2,300	MasterCard, Inc. Class A	1,921,558
2,800	MICROS Systems, Inc. *	160,636
8,800	Open Text Corp.	809,248
24,000	Salesforce.com, Inc. *	1,324,560
6,100	WEX, Inc. *	604,083
		13,680,678
	MATERIALS (9.3%)	
3,000	Airgas, Inc.	335,550
12,000	Ball Corp.	619,920
25,600	Crown Holdings, Inc. *	1,140,992
12,000	Ecolab, Inc.	1,251,240
22,400	FMC Corp.	1,690,304
2,000	NewMarket Corp.	668,300
10,000	Packaging Corp. of America	632,800
10,300	Praxair, Inc.	1,339,309

See Notes to Financial Statements.
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Schedule of Investments (continued)

Shares		Value
12,000	Scotts Miracle-Gro Co. (The) Class A	$ 746,640
11,400	Sigma-Aldrich Corp.	1,071,714
25,900	Silgan Holdings, Inc.	1,243,718
12,400	Valspar Corp. (The)	883,996
		11,624,483
	TELECOMMUNICATION SERVICES (0.8%)	
13,000	Crown Castle International Corp. *	954,590
	UTILITIES (2.6%)	
10,000	ITC Holdings Corp.	958,200
4,000	NextEra Energy, Inc.	342,480
15,000	ONEOK, Inc.	932,700
23,000	Questar Corp.	528,770
10,900	Wisconsin Energy Corp.	450,606
		3,212,756
	TOTAL COMMON STOCKS (Cost $65,914,055) (98.0%)	122,830,976

Principal Amount		Value
SHORT-TERM INVESTMENTS (2.0%)		
	REPURCHASE AGREEMENTS (1.2%)	
$ 1,500,000	With Morgan Stanley, 0.01%, dated 12/31/13, due 01/02/14, delivery value $1,500,001 (collateralized by $1,530,000 U.S. Treasury Notes 1.000% due 03/31/17, with a value of $1,537,537)	$ 1,500,000

Principal Amount		Value
	JOINT REPURCHASE AGREEMENTS (INVESTMENTS OF CASH COLLATERAL FOR SECURITIES ON LOAN) (0.8%)	
$ 352,513	Joint Repurchase Agreement with Morgan Stanley, 0.02%, dated 12/31/13, due 01/02/14, delivery value $352,514 (collateralized by $359,564 U.S. Treasury Bonds 4.250% - 8.000% due 11/15/21 - 11/15/40 and U.S. Treasury Notes 2.625% - 2.750% due 11/15/20 - 11/15/23, with a value of $357,734)	$ 352,513
520,377	Joint Repurchase Agreement with Barclays, 0.01%, dated 12/31/13, due 01/02/14, delivery value $520,377 (collateralized by $530,785 U.S. Treasury Inflation Indexed Notes 1.250% - 1.875% due 04/15/14 - 07/15/15, with a value of $526,773)	520,377

Principal

Amount			Value
$	83,932	Joint Repurchase Agreement with Citigroup, 0.01%, dated 12/31/13, due 01/02/14, delivery value $83,932 (collateralized by $85,611 U.S. Treasury Bills 0.000% due 02/20/14, with a value of $85,611)	83,932
			$ 956,822
		TOTAL SHORT-TERM INVESTMENTS (Cost $2,456,822) (2.0%)	2,456,822
		TOTAL INVESTMENT SECURITIES (100.0%) (Cost $68,370,877)	$ 125,287,798

EXCESS OF LIABILITIES OVER CASH AND OTHER ASSETS (0.0%)	(19,763)
NET ASSETS (100%)	$ 125,268,035
NET ASSET VALUE OFFERING AND REDEMPTION PRICE, PER OUTSTANDING SHARE ($125,268,035 ÷ 9,278,231 shares outstanding)	$ 13.50

* Non-income producing.

(1) A portion or all of the security was held on loan. As of December 31, 2013, the market value of the securities on loan was $1,048,806.

ADR American Depositary Receipt.

REIT Real Estate Investment Trust.

The following table summarizes the inputs used to value the Fund's investments in securities as of December 31, 2013 (See Note 1B):

The Value Line Fund, Inc.	Level 1	Level 2	Level 3	Total
Assets:				
Common Stocks	$122,830,976	$—	$—	$122,830,976
Short-Term Investments	—	2,456,822	—	2,456,822
Total	$122,830,976	$2,456,822	$—	$125,287,798

See Notes to Financial Statements.

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VALUE LINE INCOME AND GROWTH FUND, INC.

INVESTMENT OBJECTIVE AND STRATEGY

The Fund’s primary investment objective is income, as high and dependable as is consistent with reasonable risk. Capital growth to increase total return is a secondary objective.

To achieve the Fund’s goals, the Adviser invests not less than 50% of the Fund’s net assets in common or preferred stocks or securities convertible into common stock which may or may not pay dividends. The balance of the Fund’s net assets are primarily invested in U.S. government securities, money market securities and investment grade debt securities rated at the time of purchase from the highest (AAA) to medium (BBB) quality. Although the Fund can invest in companies of any size, it generally invests in U.S. securities issued by larger, more established companies (those with a market capitalization of more than $5 billion).

Manager Discussion of Fund
Performance

Below, Value Line Income and Growth Fund, Inc. portfolio managers Mark T. Spellman and Liane Rosenberg discuss the Fund’s performance and positioning for the 12 months ended December 31, 2013.

How did the Fund perform during the annual period?

The Fund generated a total return of 19.55% during the 12 months ended December 31, 2013. This compares to the 18.62% return of the Fund’s blended benchmark, comprised 60% of the S&P 500® Index and 40% of the Barclays U.S. Aggregate Bond Index (the “Barclays Index”), during the same period.

What key factors were responsible for the Fund’s performance during the 12-month reporting period?

The Fund benefited most from effective asset allocation. Throughout the 12-month reporting period, the Fund was underweighted fixed income and overweighted equities. With U.S. equities, as measured by the S&P 500® Index, up 32.39% during the annual period, and bonds, as measured by the Barclays Index, posting a return of -2.02%, this asset allocation clearly added value. Stock selection overall within the equity portion of the Fund also proved beneficial.

Which equity market sectors most significantly affected Fund performance?

Stock selection in the information technology, industrials, utilities and health care sectors contributed most positively to the Fund’s results. The Fund also benefited from having underweighted allocations to the information technology and energy sectors, which each lagged the S&P 500® Index during the annual period, and from having an overweighted allocation to the industrials sector, which outpaced the S&P 500® Index during the annual period.

Only partially offsetting these positive contributors was stock selection in the consumer discretionary and energy sectors, which detracted. Having an overweighted allocation to utilities, which lagged the S&P 500® Index during the annual period, and having underweighted exposures to the consumer discretionary and health care sectors, which outpaced the broad U.S. equity market during the annual period, also hurt.

What were some of the Fund’s best-performing individual stocks?

Contributing most to the Fund’s relative results were retail food and drug chain operator Safeway, financial services provider Charles Schwab and construction and engineering services firm Chicago Bridge & Iron. Safeway performed well, as its restructuring program added value and its store performance improved. Shares of Charles Schwab rose, as its fee revenue and market share increased with the stock market’s rally. Chicago Bridge & Iron’s shares rose significantly, as its bookings for new construction projects rose and as its acquisition of a competitor positively impacted its results.

Which stocks detracted significantly from the Fund’s performance during the annual period?

During the annual period, the stocks that detracted most from the Fund’s performance were Canadian gold producer Yamana Gold, data storage center real estate investment trust (REIT) Digital Realty Trust and offshore oil and gas drilling contractor Diamond Offshore Drilling. Shares of Yamana Gold fell significantly reflecting the precipitous decline in the price of gold bullion. Digital Realty Trust performed poorly along with the broad REIT industry. The company also posted less than expected operating results. Diamond Offshore Drilling saw its shares decline due to poor fundamentals in offshore drilling as well as company-specific shortfalls.

(continued)

Did the equity portion of the Fund make any significant purchases or sales?

During the fiscal year, we initiated positions in semiconductor device manufacturer Qualcomm, specialty pharmaceuticals company Allergan and Canadian telecommunications carrier BCE. We established a position in Qualcomm when the stock declined after an earnings disappointment, and we considered it an attractive entry point based on a longer-term perspective. We purchased Allergan after a dip in its share price, as we felt the fundamental outlook for the company was positive and the market had overreacted to news that it was delaying final studies for drugs to treat age-related macular degeneration and baldness. We initiated a position in BCE, as we believe its dividend yield is attractive and its shares, at the time of purchase, undervalued.

We sold the Fund’s position in integrated utilities company The Southern Company, as we became increasingly bearish on the outlook for this stock and on electric utilities in general. We exited the Fund’s position in clinical laboratory test provider Laboratory Corporation of America, after it hit the price target we had established for the company.

Were there any notable changes in the equity portion of the Fund’s weightings during the 12-month period?

During the annual period, we decreased weightings in the utilities sector and in the REITs industry, and we increased positions in the information technology and financials sectors.

How was the equity portion of the Fund positioned relative to its benchmark index at the end of December 2013?

As of December 31, 2013, the Fund was overweighted relative to the S&P 500® Index in the industrials, utilities, financials, telecommunication services and consumer staples sectors. The Fund was underweighted relative to the S&P 500® Index in the consumer discretionary, materials, information technology, energy and health care sectors on the same date.

What was the duration strategy of the fixed income portion of the Fund?

We kept the fixed income portion of the Fund’s duration short relative to that of the Barclays Index. As interest rates rose, this duration positioning contributed positively to relative results.

Which fixed income market segments most significantly affected Fund performance?

Overall, the fixed income portion of the Fund underperformed its benchmark, the Barclays Index. Detracting most from relative results was security selection within the securitized sector. Within the securitized sector, we held an overweighted allocation to seven-year to 10-year maturities. The flattening yield curve benefited shorter-term and longer-term maturities, where the Fund was underweight, but hurt the intermediate segment of the yield curve.

Conversely, having an underweighted allocation to U.S. Treasuries, the worst performing sector in the Barclays Index during the annual period, contributed most positively to the fixed income portion of the Fund’s performance. An overweighted allocation to corporate bonds also added value, as this sector experienced steady spread tightening throughout the year. Within the Fund’s corporate bond allocation, a heavier weighting in bonds of financial institutions proved beneficial.

Were there any notable changes in the fixed income portion of the Fund’s weightings during the 12-month period?

The most significant sector shifts in the fixed income portion of the Fund were a reduction in U.S. Treasuries and an increase in corporate bonds, both investment grade and high yield.

How was the fixed income portion of the Fund positioned relative to its benchmark index at the end of December 2013?

As of December 31, 2013, the fixed income portion of the Fund was overweight relative to the Barclays Index in corporate bonds. The Fund was underweight relative to the Barclays Index in U.S. Treasuries and government-related securities and was rather neutrally weighted to the benchmark index in the securitized sector on the same date.

How did the Fund’s overall asset allocation shift from beginning to end of the annual period?

At the end of December 2012, the Fund had a weighting of 63% in stocks, 4% in bonds convertible into common stocks, 28% in fixed income securities and 3% in cash equivalents. By mid-year 2013, cash levels began to rise due to net sales in the equity portion of the Fund, as stock-specific price targets were hit and shares sold to take profits. Due primarily to market appreciation and depreciation, at the end of December 2013, the Fund had a weighting of 66% in stocks, 4% in bonds convertible into common stocks, 22% in fixed income securities and 8% in cash equivalents.

(continued)

How did the Fund use derivatives and similar instruments during the reporting period?

During the reporting period, the Fund made limited use of covered equity call writing as a method of generating additional income for the Fund. Covered equity call writing is an options strategy whereby an investor holds a long position in an asset and writes, or sells, call options on that same asset in an attempt to generate increased income from the asset.

What is your tactical view and strategy for the months ahead?

Our view ahead for the U.S. equity market was a bit more cautious at the end of 2013 than it was at the start of the year, but we continued to believe many opportunities remain to purchase quality stocks with historically high dividend yields, relatively low payout ratios, good balance sheets and cash flow generation, and a track record of consistently raising their dividends. We remained comfortable at the end of the annual period with the Fund's underweighted allocation to fixed income, as we saw better return potential in other asset classes.

As always, our goal is to preserve capital in the near term while generating solid total return (i.e., income plus capital appreciation) over the long term and across economic cycles.

Value Line Income and Growth Fund, Inc.
Portfolio Highlights at December 31, 2013 (unaudited)

Ten Largest Holdings

Issue	Shares	Value	Percentage of Net Assets
Google, Inc. Class A	3,900	$ 4,370,769	1.3 %
Raytheon Co.	38,900	3,528,230	1.1 %
Intel Corp.	129,000	3,348,840	1.0 %
Exxon Mobil Corp.	33,000	3,339,600	1.0 %
Johnson & Johnson	36,100	3,306,399	1.0 %
JPMorgan Chase & Co.	55,600	3,251,488	1.0 %
Microsoft Corp.	84,800	3,174,064	1.0 %
Charles Schwab Corp. (The)	120,000	3,120,000	0.9 %
Discover Financial Services	54,500	3,049,275	0.9 %
Chicago Bridge & Iron Co. N.V.	35,000	2,909,900	0.9 %

Asset Allocation – Percentage of Net Assets

Sector Weightings – Percentage of Total Investment Securities*

*Sector weightings exclude short-term investments.

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(continued)

The following graph compares the performance of the Value Line Income and Growth Fund, Inc. to that of the 60/40 S&P 500 Index/Barclays Capital Aggregate Bond Index, (the "Index"). The Value Line Income and Growth Fund, Inc. is a professionally managed mutual fund, while the Index is not available for investment and is unmanaged. The returns for the Index do not reflect charges, expenses or taxes, but do include the reinvestment of dividends. The comparison is shown for illustrative purposes only.

Comparison of a Change in Value of a $10,000 Investment in the Value Line Income and Growth Fund, Inc. and 60/40 S&P 500 Index/Barclays Capital Aggregate Bond Index*

Performance Data: **

	Average Annual Total Return		Growth of an Assumed Investment of $10,000
1 year ended 12/31/13	19.55	%	$11,955
5 years ended 12/31/13	12.26	%	$17,829
10 years ended 12/31/13	7.74	%	$21,083

* The 60/40 S&P 500 Index/Barclays Capital Aggregate Bond Index is an unmanaged custom Index that is representative of 60% weighting of the S&P 500 Index which consists of larger-capitalization stocks traded in the United States and a 40% weighting of the Barclays Capital Aggregate Bond Index which consists of investment grade, U.S. dollar denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-through's) ABS, and CMBS.

** The performance data quoted represent past performance and are no guarantee of future performance. The average annual total returns and growth of an assumed investment of $10,000 include dividends reinvested and capital gains distributions accepted in shares. The investment return and principal value of an investment will fluctuate so that an investment, when redeemed, may be worth more or less than its original cost. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

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Value Line Income and Growth Fund, Inc.
Schedule of Investments

Shares		Value
COMMON STOCKS (66.1%)		
	CONSUMER DISCRETIONARY (6.7%)	
25,300	Brinker International, Inc.	$ 1,172,402
40,000	Comcast Corp. Class A	1,995,200
30,200	DIRECTV *	2,086,518
5,494	General Motors Co. *	224,540
13,600	Home Depot, Inc.	1,119,824
29,000	Las Vegas Sands Corp.	2,287,230
39,000	Lowe’s Cos., Inc.	1,932,450
28,300	McDonald’s Corp.	2,745,949
97,600	Staples, Inc.	1,550,864
25,400	Target Corp.	1,607,058
12,700	Time Warner Cable, Inc.	1,720,850
27,200	TJX Companies, Inc. (The)	1,733,456
24,400	Walt Disney Co. (The)	1,864,160
		22,040,501
	CONSUMER STAPLES (6.6%)	
31,200	Coca-Cola Co. (The)	1,288,872
33,400	CVS Caremark Corp.	2,390,438
35,400	Dr. Pepper Snapple Group, Inc.	1,724,688
42,900	General Mills, Inc.	2,141,139
17,600	Ingredion, Inc.	1,204,896
42,900	Kroger Co. (The)	1,695,837
26,300	PepsiCo, Inc.	2,181,322
33,000	Procter & Gamble Co. (The)	2,686,530
65,158	Safeway, Inc.	2,122,196
27,300	Wal-Mart Stores, Inc.	2,148,237
39,000	Walgreen Co.	2,240,160
		21,824,315
	ENERGY (7.2%)	
44,000	Boardwalk Pipeline Partners L.P.	1,122,880
21,500	Chevron Corp.	2,685,565
27,300	Conoco Phillips	1,928,745
17,200	Diamond Offshore Drilling, Inc.	979,024
37,455	Ensco PLC Class A	2,141,677
21,000	Enterprise Products Partners L.P.	1,392,300
33,000	Exxon Mobil Corp.	3,339,600
16,100	Hess Corp.	1,336,300
25,600	Royal Dutch Shell PLC ADR (1)	1,922,816

31,200	Schlumberger Ltd.	2,811,432
29,500	Total S.A. ADR	1,807,465
24,400	TransCanada Corp. (1)	1,114,104
24,000	Transocean Ltd. (1)	1,186,080
		23,767,988
	FINANCIALS (11.3%)	
10,700	Ameriprise Financial, Inc.	1,231,035
27,300	Bank of Montreal	1,819,818
6,800	BlackRock, Inc.	2,151,996

Shares		Value
23,000	Canadian Imperial Bank of Commerce	$ 1,964,430
24,400	Capital One Financial Corp.	1,869,284
120,000	Charles Schwab Corp. (The)	3,120,000
54,500	Discover Financial Services	3,049,275
53,760	Hartford Financial Services Group, Inc.	1,947,725
25,400	Health Care REIT, Inc.	1,360,678
55,600	JPMorgan Chase & Co.	3,251,488
19,500	M&T Bank Corp. (1)	2,270,190
9,072	MetLife, Inc.	489,162
16,600	PartnerRe Ltd.	1,750,138
114,000	People’s United Financial, Inc.	1,723,680
29,200	Prudential Financial, Inc.	2,692,824
33,100	State Street Corp.	2,429,209
71,200	U.S. Bancorp	2,876,480
31,200	Wells Fargo & Co.	1,416,480
1	Wintrust Financial Corp.	37
		37,413,929
	HEALTH CARE (8.0%)	
13,700	Actavis PLC *	2,301,600
12,000	Allergan, Inc.	1,332,960
12,700	Amgen, Inc.	1,449,832
11,700	Becton, Dickinson & Co.	1,292,733
22,400	Bristol-Myers Squibb Co.	1,190,560
22,500	Eli Lilly & Co.	1,147,500
21,000	Gilead Sciences, Inc. *	1,578,150
36,100	Johnson & Johnson	3,306,399
47,800	Merck & Co., Inc.	2,392,390
15,600	Novartis AG ADR	1,253,928
93,388	Pfizer, Inc.	2,860,474
33,200	Sanofi-Aventis ADR	1,780,516
45,237	Teva Pharmaceutical Industries Ltd. ADR	1,813,099
11,000	Thermo Fisher Scientific, Inc.	1,224,850
20,000	UnitedHealth Group, Inc.	1,506,000
		26,430,991
	INDUSTRIALS (8.8%)	
44,100	ADT Corp. (The)	1,784,727
19,400	Canadian National Railway Co.	1,106,188
35,000	Chicago Bridge & Iron Co. N.V.	2,909,900

23,400	Cintas Corp.	1,394,406
16,500	Emerson Electric Co.	1,157,970
29,415	Expeditors International of Washington, Inc.	1,301,614
16,200	FedEx Corp.	2,329,074
12,600	General Dynamics Corp.	1,203,930
13,500	Illinois Tool Works, Inc.	1,135,080
10,700	Lockheed Martin Corp.	1,590,662
15,600	MSC Industrial Direct Co., Inc. Class A	1,261,572
10,600	Northrop Grumman Corp.	1,214,866
38,900	Raytheon Co.	3,528,230
35,100	Republic Services, Inc.	1,165,320

Shares		Value
25,300	Tyco International Ltd.	$ 1,038,312
12,700	Union Pacific Corp.	2,133,600
25,300	United Technologies Corp.	2,879,140
		29,134,591
	INFORMATION TECHNOLOGY (11.8%)	
30,200	Accenture PLC Class A	2,483,044
20,400	Adobe Systems, Inc.*	1,221,552
3,000	Apple, Inc.	1,683,330
24,400	Automatic Data Processing, Inc.	1,971,764
39,000	Avago Technologies Ltd.	2,062,710
11,900	Cognizant Technology Solutions Corp. Class A *	1,201,662
47,300	eBay, Inc. *	2,596,297
93,442	EMC Corp.	2,350,066
3,900	Google, Inc. Class A *	4,370,769
32,200	Harris Corp.	2,247,882
129,000	Intel Corp.	3,348,840
15,000	International Business Machines Corp.	2,813,550
84,800	Microsoft Corp.	3,174,064
48,500	Oracle Corp.	1,855,610
26,300	QUALCOMM, Inc.	1,952,775
30,000	SAP AG ADR (1)	2,614,200
21,400	TE Connectivity Ltd.	1,179,354
		39,127,469
	MATERIALS (1.5%)	
17,600	BHP Billiton Ltd. ADR (1)	1,200,320
28,000	E.I. du Pont de Nemours & Co.	1,819,160
34,600	OCI Partners L.P. *	954,960
14,600	Rockwood Holdings, Inc.	1,050,032
		5,024,472
	TELECOMMUNICATION SERVICES (2.0%)	
78,000	AT&T, Inc.	2,742,480
50,000	BCE, Inc.	2,164,500
34,100	Verizon Communications, Inc.	1,675,674
		6,582,654

	UTILITIES (2.2%)	
24,900	AGL Resources, Inc.	1,176,027
25,400	American Electric Power Company, Inc.	1,187,196
53,000	American States Water Co.	1,522,690
11,700	Sempra Energy	1,050,192
26,300	Wisconsin Energy Corp.	1,087,242
39,100	Xcel Energy, Inc.	1,092,454
		7,115,801
	TOTAL COMMON STOCKS	
	(Cost $143,381,458) (66.1%)	218,462,711

See Notes to Financial Statements.
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Shares		December 31, 2013 Value
PREFERRED STOCKS (0.0%)		
	FINANCIALS (0.0%)	
5,000	MetLife, Inc., Series B, 6.50%	$ 124,500
	TOTAL PREFERRED STOCKS	
	(Cost $125,000) (0.0%)	124,500
CONVERTIBLE PREFERRED STOCKS (0.7%)		
	CONSUMER STAPLES (0.2%)	
4,000	Bunge Ltd., 4.88%	430,200
2,500	Post Holdings, Inc., 3.75% (2)	295,748
		725,948
	FINANCIALS (0.5%)	
6,000	AMG Capital Trust II, Convertible Fixed, 5.15%	379,500
250	Huntington Bancshares, Inc., Series A, 8.50% (1)	316,250
1,000	KeyCorp, Series A, 7.75%(1)	129,000
16,000	MetLife, Inc., 5.00%	504,640
250	Wells Fargo & Co., Series L, 7.50%	276,250
2,000	Weyerhaeuser Co., Series A, 6.38%	112,080
		1,717,720
	HEALTH CARE (0.0%)	
1,800	National Healthcare Corp., Series A, 0.80%	26,100
	TOTAL CONVERTIBLE PREFERRED STOCKS	
	(Cost $1,797,801) (0.7%)	2,469,768

Principal Amount		Value
U.S. TREASURY OBLIGATIONS (6.0%)		
$ 1,000,000	U.S. Treasury Bonds, 5.25%, 2/15/29	1,203,750
350,000	U.S. Treasury Bonds, 3.13%, 11/15/41	302,313
250,000	U.S. Treasury Bonds, 2.75%, 8/15/42	198,086
1,000,000	U.S. Treasury Bonds, 2.88%, 5/15/43	810,469
1,000,000	U.S. Treasury Notes, 0.50%, 10/15/14	1,002,812
1,250,000	U.S. Treasury Notes, 0.38%, 11/15/14	1,252,392
1,000,000	U.S. Treasury Notes, 0.38%, 4/15/15	1,002,305
2,000,000	U.S. Treasury Notes, 1.00%, 9/30/16	2,017,188
1,450,000	U.S. Treasury Notes, 1.00%,10/31/16	1,460,988

Principal Amount			Value
$	1,000,000	U.S. Treasury Notes, 0.88%, 11/30/16	$1,003,203
	300,000	U.S. Treasury Notes, 0.63%, 5/31/17	296,086
	1,250,000	U.S. Treasury Notes, 0.75%, 12/31/17	1,222,265
	350,000	U.S. Treasury Notes, 0.75%, 3/31/18	340,047
	1,400,000	U.S. Treasury Notes, 1.38%, 9/30/18	1,382,937
	1,750,000	U.S. Treasury Notes, 1.38%, 11/30/18	1,723,750
	600,000	U.S. Treasury Notes, 1.38%, 2/28/19	587,625
	250,000	U.S. Treasury Notes, 1.38%, 1/31/20	239,121
	1,050,000	U.S. Treasury Notes, 3.63%, 2/15/20	1,142,860
	800,000	U.S. Treasury Notes, 1.25%, 2/29/20	757,313
	750,000	U.S. Treasury Notes, 2.13%, 8/15/21	726,562
	1,000,000	U.S. Treasury Notes, 2.00%, 11/15/21	954,453
	150,000	U.S. Treasury Notes, 2.00%, 2/15/23	139,148
	250,000	U.S. Treasury Notes, 2.50%, 8/15/23	240,078
		TOTAL U.S. TREASURY OBLIGATIONS (Cost $20,219,324) (6.0%)	20,005,751
COMMERCIAL MORTGAGE-BACKED SECURITIES (0.4%)			
	500,000	FHLMC Multifamily Structured Pass-Through Certificates, Series K710, Class A2, 1.88%, 5/25/19	489,389
	246,507	GNMA Series 2013-12, Class AB, 1.83%, 11/16/52	235,052
	250,000	GNMA Series 2013-12, Class B, 2.45%, 11/16/52 (3)	230,492
	250,000	UBS-Barclays Commercial Mortgage Trust, Series 2012-C4, Class A5, 2.85%, 12/10/45	233,027
		TOTAL COMMERCIAL MORTGAGE-BACKED SECURITIES (Cost $1,277,045) (0.4%)	1,187,960

Principal Amount			Value
CORPORATE BONDS & NOTES (6.4%)			
		BASIC MATERIALS (0.4%)	
$	250,000	LYB International Finance B.V., Guaranteed Notes, 4.00%, 7/15/23	$ 246,764
	375,000	PPG Industries, Inc., Senior Unsecured Notes, 3.60%, 11/15/20	380,565
	560,000	Southern Copper Corp., Senior Unsecured Notes, 6.38%, 7/27/15	600,804
			1,228,133
		COMMUNICATIONS (0.6%)	
	250,000	America Movil S.A.B. de C.V., Senior Unsecured Notes, 3.13%, 7/16/22	230,787
	150,000	Comcast Corp., Guaranteed Notes, 6.40%, 3/1/40	173,081
	250,000		240,159

	DIRECTV Holdings LLC / DIRECTV Financing Co., Inc., Guaranteed Notes, 3.80%, 3/15/22	
250,000	Harris Corp., Senior Unsecured Notes, 4.40%, 12/15/20	259,148
200,000	MetroPCS Wireless, Inc., Guaranteed Notes, 6.63%, 11/15/20	212,000
200,000	Motorola Solutions, Inc., Senior Unsecured Notes, 6.00%, 11/15/17	227,491
250,000	Time Warner, Inc., Guaranteed Notes, 3.15%, 7/15/15	258,998
150,000	Verizon Communications, Inc., Senior Unsecured Notes, 1.25%, 11/3/14	150,874
333,000	Viacom, Inc., Senior Unsecured Notes, 4.38%, 9/15/14	341,685
		2,094,223
	CONSUMER, CYCLICAL (1.0%)	
250,000	CVS Caremark Corp., Senior Unsecured Notes, 6.60%, 3/15/19	295,846
275,000	D.R. Horton, Inc., Guaranteed Notes, 6.50%, 4/15/16	300,437
150,000	Delphi Corp., Guaranteed Notes, 6.13%, 5/15/21	166,313
150,000	Hanesbrands, Inc., Guaranteed Notes, 6.38%, 12/15/20	163,875

See Notes to Financial Statements.

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Schedule of Investments (continued)

Principal Amount		Value
$ 250,000	Home Depot, Inc. (The), Senior Unsecured Notes, 3.95%, 9/15/20	$ 266,724
205,000	Lennar Corp., Series B, Guaranteed Notes, 5.60%, 5/31/15	215,250
500,000	Lowe's Cos., Inc., Senior Unsecured Notes, 2.13%, 4/15/16	512,841
500,000	Nordstrom, Inc., Senior Unsecured Notes, 4.75%, 5/1/20	547,180
150,000	Royal Caribbean Cruises, Ltd., Senior Unsecured Notes, 5.25%, 11/15/22	150,000
250,000	Wyndham Worldwide Corp., Senior Unsecured Notes, 3.90%, 3/1/23	235,492
500,000	Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., Senior Unsecured Notes, 5.38%, 3/15/22	505,000
		3,358,958
	CONSUMER, NON-CYCLICAL (0.6%)	
250,000	Celgene Corp., Senior Unsecured Notes, 2.30%, 8/15/18	248,627
250,000	Cigna Corp., Senior Unsecured Notes, 2.75%, 11/15/16	260,206
150,000	Constellation Brands, Inc., Guaranteed Notes, 3.75%, 5/1/21	141,000
250,000	Hawk Acquisition Sub, Inc., Secured Notes, 4.25%, 10/15/20 (2)	241,875
500,000	Humana, Inc., Senior Notes, 6.45%, 6/1/16	558,708
250,000	Kroger Co. (The), Senior Unsecured Notes, 3.40%, 4/15/22	242,495
200,000	Mylan, Inc., Senior Unsecured Notes, 1.35%, 11/29/16	199,633
		1,892,544
	ENERGY (0.5%)	
500,000	Devon Energy Corp., Senior Unsecured Notes, 2.40%, 7/15/16	514,145
500,000	Enterprise Products Operating LLC, Guaranteed Notes, 4.85%, 8/15/42	470,884
250,000	Marathon Oil Corp., Senior Unsecured Notes, 2.80%, 11/1/22	230,402

Principal Amount		Value
$ 500,000	Shell International Finance B.V., Guaranteed Notes, 4.55%, 8/12/43	$ 487,671
		1,703,102
	FINANCIAL (2.4%)	
200,000	Aircastle, Ltd., Senior Unsecured Notes, 4.63%, 12/15/18	201,500
250,000	American Express Co., Senior Unsecured Notes, 0.83%, 5/22/18 (3)	249,827
250,000	American International Group, Inc., Senior Unsecured Notes, 4.88%, 6/1/22	268,706
250,000	Bank of America Corp. MTN, Senior Unsecured Notes, 3.30%, 1/11/23	236,567
250,000	Bank of Montreal MTN, Senior Unsecured Notes, 2.50%, 1/11/17	257,522
150,000	Bank of New York Mellon Corp. (The), Senior Unsecured Notes, 5.45%, 5/15/19	170,426
250,000	Berkshire Hathaway, Inc., Senior Unsecured Notes, 3.75%, 8/15/21 (1)	257,758
140,000	BlackRock, Inc., Series 2, Senior Unsecured Notes, 5.00%, 12/10/19	158,073
250,000	Boston Properties L.P., Senior Unsecured Notes, 3.13%, 9/1/23	228,347

Principal Amount		Value
250,000	Capital One NA/ Mclean, Senior Notes, 1.50%, 3/22/18	243,120
250,000	CIT Group, Inc., Senior Unsecured Notes, 5.00%, 5/15/17	266,875
250,000	Cooperatieve Centrale Raiffeisen-Boerenleenbank BA, Guaranteed Notes, 3.95%, 11/9/22	242,248
250,000	Credit Agricole S.A., Senior Unsecured Notes, 2.13%, 4/17/18 (2)	248,373
500,000	Fifth Third Bank, Senior Unsecured Notes, 1.45%, 2/28/18	487,206
500,000	Ford Motor Credit Co. LLC, Senior Unsecured Notes, 2.38%, 1/16/18	504,980
250,000	General Electric Capital Corp. MTN, Senior Unsecured Notes,1.00%, 8/11/15 (3)	251,904
300,000	General Motors Financial Co., Inc., Senior Unsecured Notes, 3.25%, 5/15/18 (2)	300,000

Principal Amount		Value
$ 500,000	Goldman Sachs Group, Inc. (The), Senior Unsecured Notes, 5.75%, 1/24/22	$ 562,844
500,000	JPMorgan Chase & Co., Senior Unsecured Notes, 4.50%, 1/24/22	528,865
500,000	Morgan Stanley, Senior Unsecured Notes, 4.75%, 3/22/17	545,659
200,000	PNC Funding Corp., Guaranteed Notes, 3.30%, 3/8/22	196,529
250,000	Societe Generale S.A., Senior Unsecured Notes, 5.20%, 4/15/21	274,814
250,000	State Street Corp., Senior Unsecured Notes, 1.35%, 5/15/18	241,948
168,000	Wachovia Bank NA, Subordinated Notes, 4.80%, 11/1/14	174,238
500,000	Wells Fargo & Co. MTN, Senior Unsecured Notes, 3.50%, 3/8/22	500,132
100,000	Weyerhaeuser Co., Senior Unsecured Notes, 6.95%, 10/1/27	115,359
100,000	XLIT, Ltd., Guaranteed Notes, 5.25%, 12/15/43	100,670
		7,814,490
	INDUSTRIAL (0.3%)	
254,000	Masco Corp., Senior Unsecured Notes, 6.13%, 10/3/16	284,480
314,000	Thermo Fisher Scientific, Inc., Senior Unsecured Notes, 3.20%, 3/1/16	328,285
500,000	Union Pacific Corp., Senior Unsecured Notes, 4.00%, 2/1/21	521,736
		1,134,501
	TECHNOLOGY (0.1%)	
100,000	Microsoft Corp., Senior Unsecured Notes, 3.63%, 12/15/23	100,156
250,000	Oracle Corp., Senior Unsecured Notes, 5.00%, 7/8/19 .	283,022
		383,178
	UTILITIES (0.5%)	
250,000	Alabama Power Co., Senior Unsecured Notes, 3.85%, 12/1/42	213,247
500,000	Dominion Resources, Inc., Senior Unsecured Notes, 2.25%, 9/1/15	512,407
250,000	Florida Power & Light Co., 4.05%, 6/1/42	228,501

See Notes to Financial Statements.

		December 31, 2013
Principal Amount		Value
$ 500,000	Sempra Energy, Senior Unsecured Notes, 2.00%, 3/15/14	$ 501,545
250,000	South Carolina Electric & Gas Co., 4.35%, 2/1/42 .	232,200
		1,687,900
	TOTAL CORPORATE BONDS & NOTES (Cost $21,367,876) (6.4%)	21,297,029
CONVERTIBLE CORPORATE BONDS & NOTES (3.6%)		
	BASIC MATERIALS (0.2%)	
100,000	Allegheny Technologies, Inc., Convertible Fixed, 4.25%, 6/1/14	103,375
100,000	ArcelorMittal, Senior Notes, 5.00%, 5/15/14 (1)	101,188
350,000	Steel Dynamics, Inc., Guaranteed Notes, 5.13%, 6/15/14	411,906
		616,469
	COMMUNICATIONS (0.2%)	
300,000	Equinix, Inc., Convertible Fixed, 4.75%, 6/15/16	655,125
100,000	VeriSign, Inc., Junior Subordinated Debentures, 3.25%, 8/15/37 (2)	180,375
		835,500
	CONSUMER, CYCLICAL (0.3%)	
150,000	Home Inns & Hotels Management, Inc., Senior Notes, 2.00%, 12/15/15 (2)	156,563
200,000	International Game Technology, Senior Unsecured Notes, 3.25%, 5/1/14 (1)	212,000
200,000	MGM Resorts International, Guaranteed Senior Notes, 4.25%, 4/15/15	275,000
300,000	Navistar International Corp., Senior Subordinated Notes, 3.00%, 10/15/14	306,750
		950,313
	CONSUMER, NON-CYCLICAL (0.6%)	
1,000,000	Alere, Inc., Convertible Fixed, 3.00%, 5/15/16	1,123,750
100,000	Gilead Sciences, Inc., Convertible Fixed, Series D, 1.63%, 5/1/16	329,812

Principal

Amount		Value
$ 300,000	Insulet Corp., Senior Unsecured Notes, 3.75%, 6/15/16	$ 440,625
123,000	Salix Pharmaceuticals Ltd., Senior Unsecured Notes, 2.75%, 5/15/15	242,003
		2,136,190
	ENERGY (0.3%)	
250,000	Goodrich Petroleum Corp., Senior Unsecured Notes, 5.00%, 10/1/29	254,063
800,000	Peabody Energy Corp., Junior Subordinate Debentures, 4.75%, 12/15/41 (1)	632,500
		886,563
	FINANCIAL (0.4%)	
150,000	Digital Realty Trust L.P., Guaranteed Notes, 5.50%, 4/15/29 (2)	190,875
300,000	Fidelity National Financial, Inc. 4.25%, 8/15/18	490,500
100,000	ProLogis, Guaranteed Notes, 3.25%, 3/15/15	111,625
200,000	SL Green Operating Partnership L.P., Convertible Fixed, 3.00%, 10/15/17 (2)	248,875
200,000	Tower Group, Inc., Senior Notes Convertible, 5.00%, 9/15/14	169,375
		1,211,250
	INDUSTRIAL (0.5%)	
100,000	AGCO Corp., Senior Subordinated Notes, 1.25%, 12/15/36	145,813
150,000	Alliant Techsystems, Inc., Guaranteed Notes, 3.00%, 8/15/24	240,094
250,000	Bristow Group, Inc., Guaranteed Notes, 3.00%, 6/15/38	306,562
200,000	EnerSys, Senior Notes, 3.38%, 6/1/38 (4)	352,625
150,000	MasTec, Inc., Convertible Fixed, 4.00%, 6/15/14	311,906
300,000	Trinity Industries, Inc., Subordinated Notes Convertible, 3.88%, 6/1/36	395,062
		1,752,062
	TECHNOLOGY (1.1%)	
350,000	CACI International, Inc., Senior Subordinate Debenture, 2.13%, 5/1/14	468,781
350,000	CSG Systems International, Inc., Senior Subordinate Debenture, 3.00%, 3/1/17 (2)	468,781

Principal Amount		Value
$ 150,000	Intel Corp., Junior Subordinated Notes, 3.25%, 8/1/39	$ 203,906
200,000	Lam Research Corp., Senior Unsecured Notes, 1.25%, 5/15/18 (1)	243,250
150,000	SanDisk Corp., Senior Unsecured Notes, 1.50%, 8/15/17	221,063
200,000	Xilinx, Inc., Senior Notes, 2.63%, 6/15/17	319,000
1,000,000	Xilinx, Inc., Subordinated Debentures, 3.13%, 3/15/37	1,583,125
		3,507,906
	TOTAL CONVERTIBLE CORPORATE BONDS & NOTES (Cost $9,154,916) (3.6%)	11,896,253
FOREIGN GOVERNMENT OBLIGATIONS (0.2%)		
250,000	International Bank for Reconstruction & Development, Senior Unsecured Notes, 0.50%, 4/15/16	249,604
250,000	Mexico Government International Bond, Senior Unsecured Notes, 5.13%, 1/15/20	277,000
		526,604

	TOTAL FOREIGN GOVERNMENT OBLIGATIONS (Cost $526,433) (0.2%)	
LONG-TERM MUNICIPAL SECURITIES (0.3%)		
	CALIFORNIA (0.1%)	
250,000	San Francisco Bay Area Rapid Transit District, Revenue Bonds, Series B, 4.09%, 7/1/32	227,162
	NEW YORK (0.1%)	
200,000	City of New York, General Obligation Unlimited, Subser. D2, 2.60%, 8/1/20	194,900
185,000	Metropolitan Transportation Authority, Build America Bonds, Revenue Bonds, Ser. C-1, 5.12%, 11/15/19	200,588
		395,488

See Notes to Financial Statements.
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Schedule of Investments (continued)

Principal Amount			Value
		TEXAS (0.1%)	
$	250,000	Tarrant County Cultural Education Facilities Finance Corp., Revenue Bonds, Baylor Health Care System Project, Series C, 4.45%, 11/15/43	$ 211,933
		TOTAL LONG-TERM MUNICIPAL SECURITIES (Cost $906,426) (0.3%)	834,583
U.S. GOVERNMENT AGENCY OBLIGATIONS (8.0%)			
	500,000	FHLB, 1.13%, 3/10/17	502,720
	250,000	FHLB, 3.13%, 12/8/17	265,894
	175,000	FHLB, 2.75%, 6/8/18	182,550
	250,000	FHLB, 1.63%, 2/27/19	246,312
	415,000	FHLB, 4.13%, 12/13/19	455,374
	1,000,000	FHLB, 3.25%, 6/9/23	992,905
	467,757	FHLMC, Series 4151, Class PA, 2.00%, 1/15/33	447,265
	125,107	FHLMC Gold PC Pool #A46044, 5.00%, 7/1/35	134,977
	425,854	FHLMC Gold PC Pool #A47613, 5.00%, 11/1/35	459,681
	100,000	FHLMC Gold PC Pool #A89430, 4.50%, 10/1/39	105,864
	250,000	FHLMC Gold PC Pool #C09055, 4.00%, 12/1/43	257,002
	18,568	FHLMC Gold PC Pool #G05205, 5.00%, 1/1/39	20,024
	365,475	FHLMC Gold PC Pool #J17969, 3.00%, 2/1/27	372,566
	135,828	FHLMC Pool #A84814, 4.50%, 3/1/39	143,694
	839,249	FHLMC Pool #A86830, 4.50%, 6/1/39	889,234
	108,696	FHLMC Pool #A96997, 4.50%, 2/1/41	115,169
	385,215	FHLMC Pool #A97264, 4.00%, 2/1/41	395,933
	400,098	FHLMC Pool #C09027, 3.00%, 2/1/43	379,517
	74,270	FHLMC Pool #G08521, 3.00%, 1/1/43	70,449
	1,065,100	FHLMC Pool #J13314, 3.50%, 10/1/25	1,111,037

Principal Amount		Value
$ 872,069	FHLMC Pool #Q04096, 4.00%, 10/1/41	$ 896,327
180,419	FHLMC Pool #Q06884, 3.50%, 3/1/42	179,218
109,024	FHLMC Pool #Q11077, 3.50%, 9/1/42	108,298
500,000	FNMA, 2.00%, 9/21/15	513,752
500,000	FNMA, 0.38%, 12/21/15	499,235
1,000,000	FNMA, 0.88%,5/21/18	967,312
436,223	FNMA Pool #745275, 5.00%, 2/1/36	473,438

51,118	FNMA Pool #832199, 4.50%, 7/1/35	54,206
72,734	FNMA Pool #973333, 4.50%, 2/1/38	76,981
274,476	FNMA Pool #AA0466, 4.50%, 2/1/39	290,615
15,730	FNMA Pool #AB1259, 5.00%, 7/1/40	17,112
967,100	FNMA Pool #AB1796, 3.50%, 11/1/40	961,813
260,193	FNMA Pool #AB2660, 3.50%, 5/1/21	273,497
164,910	FNMA Pool #AB3218, 3.50%, 7/1/31	167,917
700,264	FNMA Pool #AB3900, 3.00%, 11/1/26	715,423
25,494	FNMA Pool AB3943, 4.00%, 11/1/41	26,264
439,006	FNMA Pool #AB5231, 2.50%, 5/1/27	435,992
254,339	FNMA Pool #AC5822, 4.50%, 5/1/40	269,592
423,131	FNMA Pool #AD7128, 4.50%, 7/1/40	448,427
269,186	FNMA Pool #AD8529, 4.50%, 8/1/40	285,301
889,806	FNMA Pool #AE9759, 4.00%, 12/1/40	916,782
247,422	FNMA Pool #AH2084, 4.00%, 12/1/40	254,873
452,278	FNMA Pool #AH4493, 4.50%, 2/1/41	479,319
882,992	FNMA Pool #AH6186, 4.00%, 2/1/41	909,617
601,540	FNMA Pool #AH8932, 4.50%, 4/1/41	637,670
1,093,123	FNMA Pool #AJ9278, 3.50%, 12/1/41	1,087,022
31,258	FNMA Pool #AK6513, 4.00%, 3/1/42	32,195
648,579	FNMA Pool #AL0160, 4.50%, 5/1/41	689,484
900,001	FNMA Pool #AL0657, 5.00%, 8/1/41	982,202
84,269	FNMA Pool #AL3192, 5.00%, 5/1/42	91,963
434,978	FNMA Pool #AQ1853, 3.00%, 11/1/42	413,381

Principal Amount				Value
$	497,470	FNMA Pool #AS0865, 2.50%, 10/1/28	$	492,913
	200,000	FNMA Pool #AS1529, 3.00%, 1/1/29		204,500
	796,401	FNMA Pool #AT8849, 4.00%, 6/1/43		820,320
	249,571	FNMA Pool #AU3621, 3.00%, 7/1/43		237,235
	449,269	FNMA Pool #AU5409, 3.00%, 8/1/43		427,078
	299,592	FNMA Pool #AU6562, 3.50%, 12/1/43		297,919
	349,402	FNMA Pool #AU7025, 3.00%, 11/1/43		332,091
	56,976	FNMA Pool #MA0406, 4.50%, 5/1/30		60,685
	222,108	FNMA Pool #MA0577, 3.50%, 11/1/20		233,454
	471,722	FNMA REMIC Trust Series 2013-18, Class AE, 2.00%, 3/25/28		448,733
	321,530	FNMA REMIC Trust Series 2013-41, Class WD, 2.00%, 11/25/42		308,938
	126,022	GNMA I Pool #539285, 3.00%, 5/15/42		121,944
	176,055	GNMA I Pool #744842, 3.00%, 5/15/42		170,358
	500,000	GNMA II Pool #MA1521, 3.50%, 12/20/43		507,110
	250,000	GNMA TBA, 3.00%, 1/1/44		241,543
		TOTAL U.S. GOVERNMENT AGENCY OBLIGATIONS (Cost $27,139,092) (8.0%)		26,608,216

SHORT-TERM INVESTMENTS (11.1%)

	REPURCHASE AGREEMENTS (8.0%)	
26,300,000	With Morgan Stanley, 0.01%, dated 12/31/13, due 01/02/14, delivery value $26,300,015 (collateralized by $26,760,000 U.S. Treasury Notes 1.000% due 03/31/17, with a value of $26,891,824)	26,300,000

See Notes to Financial Statements.

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December 31, 2013

Principal Amount		Value
	JOINT REPURCHASE AGREEMENTS (INVESTMENTS OF CASH COLLATERAL FOR SECURITIES ON LOAN) (3.1%)	
$ 3,794,575	Joint Repurchase Agreement with Morgan Stanley, 0.02%, dated 12/31/13, due 01/02/14, delivery value $3,794,579 (collateralized by $3,870,467 U.S. Treasury Bonds 4.250% - 8.000% due 11/15/21 - 11/15/40 and U.S. Treasury Notes 2.625% - 2.750% due 11/15/20 - 11/15/23, with a value of $3,850,772)	$ 3,794,575
5,601,515	Joint Repurchase Agreement with Barclays, 0.01%, dated 12/31/13, due 01/02/14, delivery value $5,601,518 (collateralized by $5,713,553 U.S. Treasury Inflation Indexed Notes 1.250% - 1.875% due 04/15/14 - 07/15/15, with a value of $5,670,362)	5,601,515

Principal Amount		Value
$ 903,470	Joint Repurchase Agreement with Citigroup, 0.01%, dated 12/31/13, due 01/02/14, delivery value $903,471 (collateralized by $921,549 U. S. Treasury Bills 0.000% due 02/20/14, with a value of $921,549)	$ 903,470
		10,299,560
	TOTAL SHORT-TERM INVESTMENTS (Cost $36,599,560) (11.1%)	36,599,560
	TOTAL INVESTMENT SECURITIES (102.8%) (Cost $262,494,931)	$ 340,012,935
EXCESS OF LIABILITIES OVER CASH AND OTHER ASSETS (-2.8%)		(9,314,832)

Principal Amount		Value
NET ASSETS (100%)	$	330,698,103
NET ASSET VALUE OFFERING AND REDEMPTION PRICE, PER OUTSTANDING SHARE ($330,698,103 ÷ 33,679,337 shares outstanding)	$	9.82

*	Non-income producing.
(1)	A portion or all of the security was held on loan. As of December 31, 2013, the market value of the securities on loan was $11,304,497.
(2)	Pursuant to Rule 144A under the Securities Act of 1933, this security can only be sold to qualified institutional investors.
(3)	The rate shown on floating rate securities is the rate at the end of the reporting period. The rate changes monthly.

(4)	Step Bond - The rate shown is as of December 31, 2013 and will reset at a future date.
ADR	American Depositary Receipt.
FHLB	Federal Home Loan Bank.
FHLMC	Federal Home Loan Mortgage Corp.
FNMA	Federal National Mortgage Association.
GNMA	Government National Mortgage Association.
MTN	Medium Term Note.
REIT	Real Estate Investment Trust.
TBA	To Be Announced.

The following table summarizes the inputs used to value the Fund's investments in securities as of December 31, 2013 (See Note 1B):

Value Line Income and Growth Fund, Inc.	Level 1	Level 2	Level 3	Total
Assets:				
Common Stocks	$ 218,462,711	$ —	$ —	$ 218,462,711
Preferred Stocks	124,500	—	—	124,500
Convertible Preferred Stocks	1,794,520	675,248	—	2,469,768
U.S. Treasury Obligations	—	20,005,751	—	20,005,751
Commercial Mortgage-Backed Securities	—	1,187,960	—	1,187,960
Corporate Bonds & Notes	—	21,297,029	—	21,297,029
Convertible Corporate Bonds & Notes	—	11,896,253	—	11,896,253
Foreign Government Obligations	—	526,604	—	526,604
Long-Term Municipal Securities	—	834,583	—	834,583
U.S. Government Agency Obligations	—	26,608,216	—	26,608,216
Short-Term Investments	—	36,599,560	—	36,599,560
Total	$ 220,381,731	$ 119,631,204	$ —	$ 340,012,935

See Notes to Financial Statements.

VALUE LINE LARGER COMPANIES FUND, INC.

INVESTMENT OBJECTIVE AND STRATEGY

The Fund’s investment objective is to realize capital growth.

To achieve the Fund’s investment objective the Adviser invests substantially all of the Fund’s assets in common stock. While the Fund is actively managed by the Adviser, the Adviser relies primarily on the rankings of companies by the Value Line Timeliness™ Ranking System (the “Ranking System”) in selecting securities for purchase or sale. The Fund’s investments usually, as measured by the number and total value of purchases, are selected from common stocks of the 100 largest companies by capitalization that are ranked 1, 2, or 3 by the Ranking System. The Adviser will determine the percentage of the Fund’s assets invested in each stock based on the stock’s relative attractiveness.

Manager Discussion of Fund Performance

Below, Value Line Larger Companies Fund, Inc. portfolio manager Mark T. Spellman discusses the Fund’s performance and positioning for the 12 months ended December 31, 2013.

How did the Fund perform during the annual period?

The Fund generated a total return of 30.05% during the 12 months ended December 31, 2013. This compares to the 32.39% return of the Fund’s benchmark, the S&P 500® Index, during the same annual period.

What key factors were responsible for the Fund’s performance during the 12-month reporting period?

While the Fund generated robust double-digit absolute gains, its underperformance of the S&P 500® Index during the 12-month reporting period can be attributed primarily to sector allocation. Stock selection overall proved effective.

Which equity market sectors most significantly affected Fund performance?

Overweighted allocations to and stock selection in the information technology and materials sectors, which each lagged the S&P 500® Index during the annual period, detracted from the Fund’s performance. Having an underweighted allocation to financials, which outpaced the S&P 500® Index during the annual period, also dampened results.

Partially offsetting these detractors were the positive contributions made by overweighted allocations to the consumer discretionary and health care sectors, which each outpaced the S&P 500® Index during the annual period. Having an underweighted allocation to energy, which underperformed the S&P 500® Index during the annual period, also boosted relative results. Effective stock selection in the health care sector added value as well.

Which stocks detracted significantly from the Fund’s performance during the annual period?

During the annual period, the stocks that detracted most from the Fund’s performance were U.K.-based international resources company BHP Billiton, Canadian gold producer Yamana Gold and U.S. security services provider ADT.

BHP Billiton's shares declined as global natural resource prices dropped. Shares of Yamana Gold fell significantly along with the precipitous decline in the price of gold bullion. ADT performed poorly on weaker than expected reported results. We sold the Fund's position in Yamana Gold by the end of the annual period.

What were some of the Fund's best-performing individual stocks?

The individual stocks that contributed most to the Fund's relative results were all U.S.-based companies—casino resort and convention center owner and operator Las Vegas Sands, Internet-based airline and hotel services provider priceline.com and pharmaceuticals manufacturer Actavis, each of which posted robust double-digit gains during the annual period. Las Vegas Sands performed well, as gaming revenue and profit both in the U.S. and abroad rebounded with improved global economic conditions. Shares of priceline.com were up strongly as its reported results were better than anticipated. Actavis saw its shares soar as the generic drug company's results were better than expected, and investors responded favorably to the company's accretive acquisition of Ireland-based Warner Chilcott.

How did the Fund use derivatives and similar instruments during the reporting period?

The Fund did not use derivatives during the reporting period.

(continued)

Did the Fund make any significant purchases or sales during the fiscal year?

During the fiscal year, we initiated Fund positions in apparel and accessories designer Ralph Lauren and applications software provider Salesforce.com, in each case as a dip in their respective share prices offered what we believed to be an attractive entry point into the companies. We established a Fund position in investment management company Franklin Resources, as its upside potential appeared attractive to us given its asset flows and the strong equity market.

We sold the Fund's position in semiconductor device manufacturer Altera, as broad semiconductor industry fundamentals began to deteriorate, in our view. We eliminated the Fund's position in leather goods retailer Coach, as the company reported worse than expected earnings results. We exited the Fund's position in agricultural chemicals producer Potash Corp. of Saskatchewan after it reported disappointing results, and we detected a deterioration in industry fundamentals.

Were there any notable changes in the Fund's weightings during the 12-month period?

There were no material changes in the Fund's sector weightings during the 12-month period ended December 31, 2013.

How was the Fund positioned relative to its benchmark index at the end of December 2013?

As of December 31, 2013, the Fund was overweighted relative to the S&P 500® Index in the consumer discretionary, information technology, materials, health care and industrials sectors. The Fund was underweighted relative to the S&P 500® Index in the financials, consumer staples and energy sectors and rather neutrally weighted relative to the Index in the utilities and telecommunication services sectors on the same date.

What is your tactical view and strategy for the months ahead?

As we look toward 2014, we intend to continue to look for and to emphasize larger-capitalization stocks that generally are ranked in the higher categories of 1, 2 or 3 in the Value Line TimelinessII Ranking System. As of December 31, 2013, a majority of the Fund's assets were in stocks that met these criteria. The Fund's weighted average price-earnings and debt-to-capital ratios were below that of the S&P 500® Index, while its historical sales growth, earnings growth, return on assets and return on equity were all higher than the Index. We seek to maintain these Fund portfolio characteristics going forward.

As always, our goal is to generate solid returns through capital growth across market cycles.

Value Line Larger Companies Fund, Inc.
Portfolio Highlights at December 31, 2013 (unaudited)

Ten Largest Holdings

Issue	Shares	Value	Percentage of Net Assets
Google, Inc. Class A	3,700	$ 4,146,627	2.0%
Apple, Inc.	6,500	3,647,215	1.7%
Actavis PLC	20,000	3,360,000	1.6%
Gilead Sciences, Inc.	42,000	3,156,300	1.5%
NIKE, Inc. Class B	40,000	3,145,600	1.5%
Las Vegas Sands Corp.	39,000	3,075,930	1.5%
McKesson Corp.	19,000	3,066,600	1.4%
Starbucks Corp.	39,000	3,057,210	1.4%
Priceline.com, Inc.	2,600	3,022,240	1.4%
Danaher Corp.	39,000	3,010,800	1.4%

Asset Allocation – Percentage of Net Assets

Sector Weightings – Percentage of Total Investment Securities*

*Sector weightings exclude short-term investments.

(continued)

The following graph compares the performance of the Value Line Larger Companies Fund, Inc. to that of the S&P 500 Index (the "Index"). The Value Line Larger Companies Fund, Inc. is a professionally managed mutual fund, while the Index is not available for investment and is unmanaged. The returns for the Index do not reflect charges, expenses or taxes, but do include the reinvestment of dividends. The comparison is shown for illustrative purposes only.

Comparison of a Change in Value of a $10,000 Investment in the Value Line Larger Companies Fund, Inc. and the S&P 500 Index*

Performance Data: **

	Average Annual Total Return	Growth of an Assumed Investment of $10,000
1 year ended 12/31/13	30.05%	$13,005
5 years ended 12/31/13	14.84%	$19,973
10 years ended 12/31/13	6.65%	$19,044

* The Standard and Poor's 500 Stock Index is an unmanaged index that is representative of the larger-capitalization stocks traded in the United States.

** The performance data quoted represent past performance and are no guarantee of future performance. The average annual total returns and growth of an assumed investment of $10,000 include dividends reinvested and capital gains distributions accepted in shares. The investment return and principal value of an investment will fluctuate so that an investment, when redeemed, may be worth more or less than its original cost. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

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Value Line Larger Companies Fund, Inc.
Schedule of Investments

Shares			Value
COMMON STOCKS (97.1%)			
	CONSUMER DISCRETIONARY (17.7%)		
5,000	AutoZone, Inc. *	$	2,389,700
60,000	Comcast Corp. Class A		2,992,800
42,000	DIRECTV *		2,901,780
39,000	Las Vegas Sands Corp.		3,075,930
24,000	McDonald's Corp.		2,328,720
40,000	NIKE, Inc. Class B		3,145,600
2,600	Priceline.com, Inc. *		3,022,240
13,000	Ralph Lauren Corp.		2,295,410
39,000	Starbucks Corp.		3,057,210
33,000	Target Corp.		2,087,910
41,000	TJX Companies, Inc. (The)		2,612,930
30,000	Viacom, Inc. Class B		2,620,200
36,000	Walt Disney Co. (The)		2,750,400
28,000	Yum! Brands, Inc.		2,117,080
			37,397,910
	CONSUMER STAPLES (4.6%)		
24,000	Costco Wholesale Corp.		2,856,240
29,000	CVS Caremark Corp.		2,075,530
44,000	General Mills, Inc.		2,196,040
31,000	PepsiCo, Inc.		2,571,140
			9,698,950
	ENERGY (7.8%)		
37,000	Cameron International Corp. *		2,202,610
16,000	Chevron Corp.		1,998,560
39,000	Enterprise Products Partners L.P.		2,585,700
15,000	EOG Resources, Inc.		2,517,600
26,000	Exxon Mobil Corp.		2,631,200
28,000	Schlumberger Ltd.		2,523,080
45,000	TransCanada Corp. (1)		2,054,700
			16,513,450
	FINANCIALS (7.8%)		
19,000	American Tower Corp. REIT		1,516,580
8,000	BlackRock, Inc.		2,531,760
37,000	Capital One Financial Corp.		2,834,570
30,000	Franklin Resources, Inc.		1,731,900
48,000	JPMorgan Chase & Co.		2,807,040
21,700	M&T Bank Corp. (1)		2,526,314

65,000	U.S. Bancorp		2,626,000
			16,574,164
	HEALTH CARE (15.3%)		
20,000	Actavis PLC *		3,360,000
23,000	Allergan, Inc.		2,554,840
23,000	Amgen, Inc.		2,625,680
10,000	Biogen Idec, Inc. *		2,797,500
45,000	Bristol-Myers Squibb Co.		2,391,750
36,000	Express Scripts Holding Co. *		2,528,640
42,000	Gilead Sciences, Inc. *		3,156,300
19,000	McKesson Corp.		3,066,600

Shares			Value
27,000	Novartis AG ADR	$	2,170,260
15,000	Novo Nordisk A/S ADR		2,771,400
19,000	Thermo Fisher Scientific, Inc.		2,115,650
38,000	UnitedHealth Group, Inc.		2,861,400
			32,400,020
	INDUSTRIALS (11.7%)		
53,000	ADT Corp. (The)		2,144,910
19,000	Boeing Co. (The)		2,593,310
44,000	Canadian National Railway Co.		2,508,880
39,000	Danaher Corp.		3,010,800
53,085	Expeditors International of Washington, Inc.		2,349,011
19,000	FedEx Corp.		2,731,630
10,000	Precision Castparts Corp.		2,693,000
40,000	Tyco International Ltd.		1,641,600
15,000	Union Pacific Corp.		2,520,000
23,000	United Technologies Corp.		2,617,400
			24,810,541
	INFORMATION TECHNOLOGY (23.0%)		
34,000	Accenture PLC Class A		2,795,480
6,500	Apple, Inc.		3,647,215
49,700	ARM Holdings PLC ADR		2,720,578
27,000	Cognizant Technology Solutions Corp. Class A *		2,726,460
52,000	eBay, Inc. *		2,854,280
95,000	EMC Corp.		2,389,250
3,700	Google, Inc. Class A *		4,146,627
91,000	Intel Corp.		2,362,360
12,000	International Business Machines Corp.		2,250,840
33,900	Intuit, Inc.		2,587,248
36,071	Motorola Solutions, Inc.		2,434,793
57,000	Oracle Corp.		2,180,820
36,000	QUALCOMM, Inc.		2,673,000
49,000	Salesforce.com, Inc. *		2,704,310
29,900	SAP AG ADR (1)		2,605,486

55,000	Texas Instruments, Inc.		2,415,050
13,000	Visa, Inc. Class A		2,894,840
24,000	VMware, Inc. Class A *		2,153,040
			48,541,677
	MATERIALS (6.3%)		
18,000	Air Products & Chemicals, Inc.		2,012,040
32,000	BHP Billiton Ltd. ADR (1)		2,182,400
33,000	E.I. du Pont de Nemours & Co.		2,144,010
25,000	Ecolab, Inc.		2,606,750
19,000	Monsanto Co.		2,214,450
16,000	Praxair, Inc.		2,080,480
			13,240,130

Shares			Value
	TELECOMMUNICATION SERVICES (2.0%)		
92,000	America Movil S.A.B. de C.V. Series L, ADR (1)	$	2,150,040
50,000	BCE, Inc.		2,164,500
			4,314,540
	UTILITIES (0.9%)		
26,333	Duke Energy Corp.		1,817,240
	TOTAL COMMON STOCKS (Cost $119,157,923) (97.1%)		205,308,622

	Principal Amount		Value
SHORT-TERM INVESTMENTS (6.2%)			
		REPURCHASE AGREEMENTS (2.8%)	
$	6,000,000	With Morgan Stanley, 0.01%, dated 12/31/13, due 01/02/14, delivery value $6,000,003 (collateralized by $6,105,000 U.S. Treasury Notes 1.000% due 03/31/17, with a value of $6,135,074)	6,000,000
		JOINT REPURCHASE AGREEMENTS (INVESTMENTS OF CASH COLLATERAL FOR SECURITIES ON LOAN) (3.4%)	
	2,618,773	Joint Repurchase Agreement with Morgan Stanley, 0.02%, dated 12/31/13, due 01/02/14, delivery value $2,618,776 (collateralized by $2,671,149 U.S. Treasury Bonds 4.250% - 8.000% due 11/15/21 - 11/15/40 and U.S. Treasury Notes 2.625% - 2.750% due 11/15/20 - 11/15/23, with a value of $2,657,557)	2,618,773

See Notes to Financial Statements.

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December 31, 2013

Principal Amount		Value
$ 3,865,808	Joint Repurchase Agreement with Barclays, 0.01%, dated 12/31/13, due 01/02/14, delivery value $3,865,810 (collateralized by $3,943,129 U.S. Treasury Inflation Indexed Notes 1.250% - 1.875% due 04/15/14 - 07/15/15, with a value of $3,913,321)	$ 3,865,808

Principal Amount		Value
$ 623,517	Joint Repurchase Agreement with Citigroup, 0.01%, dated 12/31/13, due 01/02/14, delivery value $623,518 (collateralized by $635,994 U.S. Treasury Bills 0.000% due 02/20/14, with a value of $635,994)	$ 623,517
		7,108,098
	TOTAL SHORT-TERM INVESTMENTS (Cost $13,108,098) (6.2%)	13,108,098
	TOTAL INVESTMENT SECURITIES (103.3%) (Cost $132,266,021)	$ 218,416,720

Principal Amount	Value
EXCESS OF LIABILITIES OVER CASH AND OTHER ASSETS (-3.3%)	$ (6,908,252)
NET ASSETS (100%)	$ 211,508,468
NET ASSET VALUE OFFERING AND REDEMPTION PRICE, PER OUTSTANDING SHARE ($211,508,468 ÷ 8,270,759 shares outstanding)	$ 25.57

* Non-income producing.

(1) A portion or all of the security was held on loan. As of December 31, 2013, the market value of the securities on loan was $7,803,401.

ADR American Depositary Receipt.

REIT Real Estate Investment Trust.

The following table summarizes the inputs used to value the Fund's investments in securities as of December 31, 2013 (See Note 1B):

Value Line Larger Companies Fund, Inc.	Level 1	Level 2	Level 3	Total
Assets:				
Common Stocks	$205,308,622	$—	$—	$205,308,622
Short-Term Investments	—	13,108,098	—	13,108,098
Total	$205,308,622	$13,108,098	$—	$218,416,720

See Notes to Financial Statements.

VALUE LINE CORE BOND FUND

INVESTMENT OBJECTIVE AND STRATEGY

The investment objective of the Fund is to maximize current income. Capital appreciation is a secondary objective but only when consistent with the Fund's primary objective.

The Fund invests primarily in a diversified portfolio of primarily investment grade, fixed income obligations, including securities issued or guaranteed by the U.S. government, its agencies or instrumentalities (U.S. government securities), mortgage-backed securities, asset-backed securities, corporate bonds, and other fixed income securities. Under normal circumstances, the Fund invests at least 80% of its assets in fixed income securities. The Fund invests in debt securities of any maturity, and there is no limit on the Fund's maximum average portfolio maturity.

Manager Discussion of Fund Performance

Effective December 31, 2013, Value Line Core Bond Fund's fiscal year-end was changed from January 31 to December 31. Thus, below, Fund portfolio managers Liane Rosenberg and Jeffrey D. Geffen discuss the Fund's performance and positioning for the 11 months ended December 31, 2013.

How did the Fund perform during the reporting period?

The Fund generated a total return of -3.13% during the 11 months ended December 31, 2013 (the reporting period). This compares to the -1.33% return of the Fund's benchmark, the Barclays U.S. Aggregate Bond Index (the "Barclays Index"), during the same period.

What key factors were responsible for the Fund's performance during the reporting period?

The Fund underperformed its benchmark, the Barclays Index, due primarily to issue selection, especially within the securitized and corporate bond sectors. Sector allocation overall and duration positioning contributed positively.

Which fixed income market sectors most significantly affected Fund performance?

Detracting most from relative results was security selection within the securitized sector. Within the securitized sector, we held an overweighted allocation to seven-year to 10-year maturities. However, this intermediate "belly" of the curve underperformed because the U.S. Treasury yield curve flattened during the reporting period, which means yield differentials between longer-term and shorter-term maturities narrowed. The flattening yield curve benefited shorter-term and longer-term maturities, where the Fund was underweight, but hurt the intermediate segment of the yield curve, and thus, such positioning hurt. Some of this detracting effect was offset by having a shorter duration than the Barclays Index in the securitized sector, especially in the mortgage-backed securities sub-sector, as interest rates markedly increased during the year.

Also detracting from the Fund's results was security selection amongst longer-maturity corporate bonds. While maintaining an underweight exposure relative to the Barclays Index, a position in a long-dated electric utility bond—issued by Alabama Power—lost ground during the reporting period. A position in a long-dated bond issued by broadcasting company Comcast also declined during the reporting period. There were no serious credit problems with either of these credits, but longer maturity bonds generally were out of favor.

On the positive side, having an underweighted allocation to U.S. Treasuries, which was the worst performing sector in the Barclays Index during the reporting period, contributed to the Fund's performance. An overweighted allocation to corporate bonds also added significant value, as this sector experienced steady spread tightening throughout the year. (Spread tightening is when the yield differential between a non-U.S. Treasury sector and the U.S. Treasury sector narrows.) Within the Fund's corporate bond allocation, an underweight to utilities bonds and overweights to financials and industrials bonds proved beneficial, as utilities bonds underperformed both financials and industrials bonds during the reporting period. Our corporate credit bias toward bonds rated BBB also buoyed the Fund's results, as this market segment of the investment grade corporate bond sector outperformed higher quality bonds during the reporting period.

A modest out-of-benchmark exposure to high yield corporate bonds boosted relative results, as high yield corporate bonds outperformed investment grade corporate bonds.

What was the Fund's duration strategy?

Duration positioning in the Fund contributed most positively to the Fund's performance relative to the Barclays Index during the reporting period. Based upon expectations of a bias toward rising interest rates, we kept the Fund's duration short relative to that of the Barclays Index. As interest rates did rise significantly during the reporting period, this duration positioning contributed positively to relative results. Duration is a measure of the Fund's sensitivity to changes in interest rates.

(continued)

How did yield curve positioning decisions affect the Fund's performance?

Yield curve positioning had a rather neutral effect on the Fund's performance during the reporting period, but did detract at certain points. For example, the Fund was overweighted in the intermediate segment of the yield curve, or spectrum of maturities. When the Federal Reserve (the Fed) first started talking seriously in May 2013 about tapering its asset purchases, the yield curve started to flatten, meaning the differential in yields between longer-term and shorter-term maturities narrowed. The flattening yield curve benefited shorter-term and longer-term maturities, where the Fund was underweight, but hurt the intermediate segment of the yield curve, and thus, such positioning hurt.

How did the Fund use derivatives and similar instruments during the reporting period?

The Fund did not use derivatives during the reporting period.

Were there any notable changes in the Fund's weightings during the reporting period?

We increased the Fund's allocation to corporate bonds, both investment grade and high yield, during the reporting period, as we sought to take advantage of what we considered to be attractive spreads and yields. The high yield corporate bond market performed particularly strongly, as it gained alongside the rallying U.S. equity market. Concurrently, we reduced the Fund's exposure to U.S. Treasuries, using the proceeds to invest in spread, or non-U.S. Treasury, fixed income sectors. We kept the Fund's duration within a neutral to half-year short stance compared to that of the Barclays Index.

How was the Fund positioned relative to its benchmark index at the end of December 2013?

At the end of December 2013, the Fund was significantly overweight relative to the Barclays Index in the corporate bond sector and more modestly overweight in the securitized sector. As of December 31, 2013, the Fund was significantly underweight the Barclays Index in U.S. Treasuries and more modestly underweight in government-related securities. The Fund had an approximately 2% allocation to cash equivalents at the end of the reporting period.

What is your tactical view and strategy for the months ahead?

We expect performance of the fixed income asset class to be highly sensitive in the months ahead to Fed policy and the timetable for its tapering actions. Also, economic factors, including jobs growth, unemployment, Gross Domestic Product and inflation are likely to be critical factors that may impact the fixed income market ahead. While Fed tapering of the bond purchase program is scheduled to begin in January 2014, any sustained economic weakness could affect the Fed's current course. We also believe there may continue to be interest rate volatility with the ultimate bias toward higher rates.

Given this view, at the end of the reporting period, we continued to favor corporate bonds over U.S. Treasuries within the Fund, especially corporate bonds rated BBB, or mid-grade credits, and high yield corporate bonds. We believe corporate bonds' comparatively higher investment income is likely to remain attractive to investors, and we expect the technicals, or supply and demand factors, within the sector to remain supportive. That is, we expect to see modest new issuance relative to strong investor demand. In our view, corporate bonds were also at a relatively strong point in the credit cycle at the end of the reporting period, with relatively low debt and high cash levels. All that said, we do not expect to significantly increase the Fund's overall exposure from end-of-year levels given how tight spreads have become.

Of course, any significant weakening in the U.S. economy will lead us to re-evaluate the Fund's duration stance as well as its sector allocation. Similarly, any significant deterioration in overall credit metrics would likely lead to a reduction in overall corporate exposure. As we continue to seek to maximize current income, we maintain a long-term investment perspective.

Value Line Core Bond Fund
Portfolio Highlights at December 31, 2013 (unaudited)

Ten Largest Holdings

Issue	Principal Amount	Value	Percentage of Net Assets
FHLMC Gold PC Pool #C09004, 3.50%, 7/1/42	$1,883,353	$1,870,822	2.2 %
U.S. Treasury Notes, 0.88%, 12/31/16	1,650,000	1,653,610	1.9 %
FHLB, 5.00%, 12/21/15	1,500,000	1,634,504	1.9 %
U.S. Treasury Notes, 1.00%, 8/31/16	1,500,000	1,514,062	1.8 %
U.S. Treasury Notes, 0.75%, 12/31/17	1,500,000	1,466,718	1.7 %
FNMA Pool #MA1107, 3.50%, 7/1/32	1,390,018	1,415,535	1.7 %
FNMA, 7.25%, 5/15/30	1,000,000	1,372,718	1.6 %
U.S. Treasury Notes, 2.00%, 2/15/22	1,400,000	1,328,578	1.6 %
U.S. Treasury Notes, 1.38%, 11/30/15	1,250,000	1,274,170	1.5 %
FHLMC, 2.00%, 8/25/16	1,000,000	1,034,112	1.2 %

Asset Allocation – Percentage of Net Assets

Sector Weightings – Percentage of Total Investment Securities*

*Sector weightings exclude short-term investments.

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(continued)

Coupon Distribution

	Percentage of Fund's Investments
Less than 4%	61.0 %
4-4.99%	17.1 %
5-5.99%	11.1 %
6-6.99%	5.6 %
7-7.99%	4.6 %
8-8.99%	0.6 %

The following graph compares the performance of the Value Line Core Bond Fund to that of the Barclays Capital U.S. Corporate High Yield Index and the Barclays Capital Aggregate Bond Index (the "Indices"). The Value Line Core Bond Fund is a professionally managed mutual fund, while the Indices are not available for investment and are unmanaged. The returns for the Indices do not reflect charges, expenses or taxes, but do include the reinvestment of dividends. The comparison is shown for illustrative purposes only.

Comparison of a Change in Value of a $10,000 Investment in the Value Line Core Bond Fund, the Barclays Capital U.S. Corporate High Yield Index* and the Barclays Capital Aggregate Bond Index**

Performance Data: ***

	Average Annual Total Return	Growth of an Assumed Investment of $10,000
1 year ended 12/31/13	(3.16)%	$ 9,684
5 years ended 12/31/13	11.86 %	$ 17,511
10 years ended 12/31/13	5.70 %	$ 17,410

* The Barclays Capital U.S. Corporate High Yield Index is representative of the broad based fixed-income market. It includes noninvestment grade corporate bonds. The returns for the Index do not reflect charges, expenses, or taxes, which are deducted from the Fund's returns, and it is not possible to directly invest in this unmanaged Index.

** The Barclay's Capital U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-through's), ABS, and CMBS. This is an unmanaged index and does not reflect charges, expenses or taxes. It is not possible to directly invest in this Index.

*** The performance data quoted represent past performance and are no guarantee of future performance. The average annual total returns and growth of an assumed investment of $10,000 include dividends reinvested and capital gains distributions accepted in shares. The investment return and principal value of an investment will fluctuate so that an investment, when redeemed, may be worth more or less than its original cost. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

Value Line Core Bond Fund
Schedule of Investments

Principal Amount		Value
	CORPORATE BONDS & NOTES (30.8%)	
	BASIC MATERIALS (0.6%)	
$ 250,000	Celanese U.S. Holdings LLC, Guaranteed Notes, 4.63%, 11/15/22	$ 239,375
300,000	LYB International Finance B.V., Guaranteed Notes, 4.00%, 7/15/23	296,116
		535,491
	COMMUNICATIONS (3.3%)	
250,000	America Movil S.A.B. de C.V., Guaranteed Notes, 5.00%, 3/30/20	270,766
500,000	Comcast Corp., Guaranteed Notes, 4.25%, 1/15/33	464,460
500,000	DIRECTV Holdings LLC / DIRECTV Financing Co., Inc., Guaranteed Notes, 3.80%, 3/15/22	480,318
500,000	MetroPCS Wireless, Inc., Guaranteed Notes, 6.63%, 11/15/20	530,000
400,000	Motorola Solutions, Inc., Senior Unsecured Notes, 6.00%, 11/15/17	454,982
250,000	Time Warner, Inc., Guaranteed Notes, 3.15%, 7/15/15	258,998
350,000	Verizon Communications, Inc., Senior Unsecured Notes, 1.25%, 11/3/14	352,039
		2,811,563
	CONSUMER, CYCLICAL (5.0%)	
300,000	CVS Caremark Corp., Senior Unsecured Notes, 6.60%, 3/15/19	355,015
500,000	D.R. Horton, Inc., Guaranteed Notes, 6.50%, 4/15/16	546,250
150,000	Delphi Corp., Guaranteed Notes, 6.13%, 5/15/21	166,313
250,000	Ford Motor Co., Senior Unsecured Notes, 7.45%, 7/16/31	306,167
200,000	Hanesbrands, Inc., Guaranteed Notes, 6.38%, 12/15/20	218,500
500,000	Home Depot, Inc. (The), Senior Unsecured Notes, 3.95%, 9/15/20	533,447

Principal Amount		Value
$ 115,000	Lennar Corp., Series B, Guaranteed Notes, 6.50%, 4/15/16	$ 125,350
200,000	Macy's Retail Holdings, Inc., Guaranteed Notes, 8.13%, 8/15/35	218,431
300,000	Royal Caribbean Cruises Ltd., Senior Unsecured Notes, 7.50%, 10/15/27	320,250
500,000	Starwood Hotels & Resorts Worldwide, Inc., Senior Unsecured Notes, 3.13%, 2/15/23	454,088
500,000	Toyota Motor Credit Corp., Senior Unsecured Notes, 0.80%, 5/17/16	500,533
250,000	Wyndham Worldwide Corp., Senior Unsecured Notes, 3.90%, 3/1/23	235,492
200,000	Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp., 7.75%, 8/15/20	224,500
		4,204,336
	CONSUMER, NON-CYCLICAL (3.4%)	
400,000	Amgen, Inc., Senior Unsecured Notes, 2.50%, 11/15/16	413,982
500,000	Celgene Corp., Senior Unsecured Notes, 4.00%, 8/15/23	492,299
450,000	Cigna Corp., Senior Unsecured Notes, 2.75%, 11/15/16	468,370
250,000	Constellation Brands, Inc., Guaranteed Notes, 4.25%, 5/1/23	233,125
250,000	Hawk Acquisition Sub, Inc., Secured Notes, 4.25%, 10/15/20 (1)	241,875
250,000	Humana, Inc., Senior Unsecured Notes, 3.15%, 12/1/22	231,428

	500,000	Kroger Co. (The), Senior Unsecured Notes, 5.15%, 8/1/43	487,752
	350,000	Mylan, Inc., Senior Unsecured Notes, 1.35%, 11/29/16	349,358
			2,918,189
		ENERGY (1.5%)	
	500,000	Enterprise Products Operating LLC, Guaranteed Notes, 4.85%, 8/15/42	470,883

Principal Amount			Value
$	500,000	Kinder Morgan Energy Partners L.P., Senior Unsecured Notes, 2.65%, 2/1/19	$ 494,455
	250,000	Phillips 66, Guaranteed Notes, 4.30%, 4/1/22	254,054
			1,219,392
		FINANCIAL (13.0%)	
	250,000	ACE INA Holdings, Inc., Guaranteed Notes, 2.70%, 3/13/23	229,081
	250,000	Aircastle, Ltd., Senior Unsecured Notes, 4.63%, 12/15/18	251,875
	250,000	American Express Co., Senior Unsecured Notes, 0.83%, 5/22/18 (2)	249,827
	500,000	American International Group, Inc. MTN, Senior Unsecured Notes, 5.85%, 1/16/18	573,525
	500,000	Bank of America Corp. MTN, Senior Unsecured Notes, 3.30%, 1/11/23	473,134
	250,000	Bank of Montreal MTN, Senior Unsecured Notes, 2.38%, 1/25/19	249,276
	350,000	BlackRock, Inc., Series 2, Senior Unsecured Notes, 5.00%, 12/10/19	395,182
	250,000	BRE Properties, Inc., REIT, Senior Unsecured Notes, 3.38%, 1/15/23	229,558
	350,000	Capital One NA/Mclean VA, Senior Notes, 1.50%, 3/22/18	340,367
	350,000	CIT Group, Inc., Senior Unsecured Notes, 5.00%, 8/15/22	341,250
	500,000	Citigroup, Inc., Senior Unsecured Notes, 1.70%, 7/25/16	504,711
	500,000	Cooperatieve Centrale Raiffeisen- Boerenleenbank BA, Guaranteed Notes, 3.95%, 11/9/22	484,495
	250,000	Credit Agricole S.A., Senior Unsecured Notes, 2.13%, 4/17/18 (1)	248,373
	250,000	Fifth Third Bank, Senior Unsecured Notes, 1.45%, 2/28/18	243,603
	250,000	General Electric Capital Corp. MTN, Senior Unsecured Notes, 1.00%, 8/11/15 (2)	251,904

See Notes to Financial Statements.

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December 31, 2013

Principal Amount			Value
$ 250,000	General Motors Financial Co., Inc., Senior Unsecured Notes, 2.75%, 5/15/16 (1)	$	253,125
500,000	Goldman Sachs Group, Inc. (The), Senior Unsecured Notes, 3.63%, 1/22/23		484,176
500,000	HSBC Holdings PLC, Senior Unsecured Notes, 4.00%, 3/30/22		513,924
250,000	Icahn Enterprises L.P. / Icahn Enterprises Finance Corp., Guaranteed Notes, 8.00%, 1/15/18		260,000
350,000	John Deere Capital Corp., Senior Unsecured Notes, 1.05%, 10/11/16		351,007
500,000	KeyCorp. MTN, Senior Unsecured Notes, 5.10%, 3/24/21		546,456
500,000	Morgan Stanley, Senior Unsecured Notes, 4.75%, 3/22/17		545,659
500,000	PNC Funding Corp., Guaranteed Notes, 5.13%, 2/8/20		561,579
500,000	ProLogis L.P., Guaranteed Notes, 2.75%, 2/15/19		496,540
250,000	Prudential Financial, Inc. MTN, Senior Unsecured Notes, 2.30%, 8/15/18		248,520
250,000	Societe Generale S.A., Senior Unsecured Notes, 5.20%, 4/15/21		274,814
250,000	State Street Corp., Subordinated Notes, 3.10%, 5/15/23		232,452
250,000	Sumitomo Mitsui Trust Bank, Ltd., Guaranteed Notes, 2.95%, 9/14/18 (1) (3)		254,318
500,000	Wells Fargo & Co., Series M, Subordinated Notes, 3.45%, 2/13/23		472,718
250,000	Weyerhaeuser Co., Senior Unsecured Notes, 7.38%, 10/1/19		303,097
200,000	XLIT, Ltd., Guaranteed Notes, 5.25%, 12/15/43		201,340
			11,065,886

Principal Amount				Value
		INDUSTRIAL (2.4%)		
$	350,000	Alliant Techsystems, Inc., Guaranteed Notes, 6.88%, 9/15/20	$	377,563
	500,000	Briggs & Stratton Corp., Guaranteed Notes, 6.88%, 12/15/20		549,375
	350,000	Burlington Northern Santa Fe LLC, Senior Unsecured Notes, 3.05%, 3/15/22		331,742
	500,000	Canadian National Railway Co., Senior Unsecured Notes, 5.55%, 3/1/19		573,755
	200,000	Masco Corp., Senior Unsecured Notes, 7.13%, 3/15/20		228,302
				2,060,737
		TECHNOLOGY (0.9%)		
	200,000	Microsoft Corp., Senior Unsecured Notes, 3.63%, 12/15/23		200,313
	500,000	Oracle Corp., Senior Unsecured Notes, 5.00%, 7/8/19		566,043
				766,356
		UTILITIES (0.7%)		
	250,000	Alabama Power Co., Senior Unsecured Notes, 3.85%, 12/1/42		213,246
	380,000	Florida Power & Light Co., 4.95%, 6/1/35		398,250
				611,496
				26,193,446

	TOTAL CORPORATE BONDS & NOTES (Cost $26,501,267) (30.8%)	

COMMERCIAL MORTGAGE-BACKED SECURITIES (3.7%)

350,000	Commercial Mortgage Pass-Through Certificates, Series 2012-CR4, Class A3, 2.85%, 10/15/45	328,254
500,000	FHLMC, Multifamily Structured Pass-Through Certificates, Series K704, Class A2, 2.41%, 8/25/18	509,507

Principal Amount		Value
$454,000	FNMA, Series 2012-M3, Class 2A2, 2.43%, 1/25/19	$ 460,313
300,000	GNMA Series 2010-155, Class B, 2.53%, 6/16/39	307,517
345,110	GNMA Series 2013-12, Class AB, 1.83%, 11/16/52	329,073
600,000	GNMA, Series 2013-12, Class B, 2.45%, 11/16/52 (2)	553,180
441,683	GNMA Series 2012-125, Class AB, 2.11%, 2/16/53 (2)	417,099
250,000	Morgan Stanley Bank of America Merrill Lynch Trust, Series 2013-C8, Class A2, 1.69%, 12/15/48	244,639
	TOTAL COMMERCIAL MORTGAGE-BACKED SECURITIES (Cost $3,343,344) (3.7%)	3,149,582

FOREIGN GOVERNMENT OBLIGATIONS (0.7%)

250,000	International Bank for Reconstruction & Development, Senior Unsecured Notes, 0.50%, 4/15/16	249,604
300,000	Mexico Government International Bond, Senior Unsecured Notes, 5.13%, 1/15/20	332,400
	TOTAL FOREIGN GOVERNMENT OBLIGATIONS (Cost $581,849) (0.7%)	582,004

LONG-TERM MUNICIPAL SECURITIES (1.1%)

	CALIFORNIA (0.3%)	
350,000	San Francisco Bay Area Rapid Transit District, Revenue Bonds, Series B, 4.09%, 7/1/32	318,027
	NEW YORK (0.3%)	
250,000	City of New York, General Obligation Unlimited, Subser. D2, 2.60%, 8/1/20	243,625

See Notes to Financial Statements.

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Schedule of Investments (continued)

Principal Amount		Value
	TEXAS (0.5%)	
$ 500,000	Tarrant County Cultural Education Facilities Finance Corp., Revenue Bonds, Baylor Health Care System Project, Series C, 4.45%, 11/15/43	$ 423,865
	TOTAL LONG-TERM MUNICIPAL SECURITIES (Cost $1,099,943) (1.1%)	985,517
U.S. TREASURY OBLIGATIONS (25.0%)		
	U.S. TREASURY NOTES & BONDS (25.0%)	
700,000	U.S. Treasury Bonds, 7.88%, 2/15/21	952,437
588,395	U.S. Treasury Bonds, 2.00%, 1/15/26 (4)	651,372
700,000	U.S. Treasury Bonds, 6.00%, 2/15/26	893,593
250,000	U.S. Treasury Bonds, 4.38%, 5/15/40	271,563
450,000	U.S. Treasury Bonds, 3.75%, 8/15/41	438,680
900,000	U.S. Treasury Bonds, 3.63%, 8/15/43	849,937
200,000	U.S. Treasury Notes, 0.25%, 1/31/15	200,164
450,000	U.S. Treasury Notes, 0.25%, 3/31/15	450,246
450,000	U.S. Treasury Notes, 0.25%, 7/31/15	449,982
100,000	U.S. Treasury Notes, 0.25%, 8/15/15	99,961
500,000	U.S. Treasury Notes, 0.25%, 10/15/15	499,356
1,250,000	U.S. Treasury Notes, 1.38%, 11/30/15	1,274,170
1,000,000	U.S. Treasury Notes, 0.38%, 1/15/16	999,609
100,000	U.S. Treasury Notes, 1.50%, 6/30/16	102,305
900,000	U.S. Treasury Notes, 1.50%, 7/31/16	920,531
1,500,000	U.S. Treasury Notes, 1.00%, 8/31/16	1,514,062
1,650,000	U.S. Treasury Notes, 0.88%, 12/31/16	1,653,610
300,000	U.S. Treasury Notes, 1.00%, 3/31/17	300,656
150,000	U.S. Treasury Notes, 1.88%, 9/30/17	153,832

Principal Amount		Value
$ 200,000	U.S. Treasury Notes, 0.63%, 11/30/17	$ 195,000
1,500,000	U.S. Treasury Notes, 0.75%, 12/31/17	1,466,718
500,000	U.S. Treasury Notes, 2.38%, 5/31/18	519,024
500,000	U.S. Treasury Notes, 1.38%, 9/30/18	493,906
400,000	U.S. Treasury Notes, 1.38%, 11/30/18	394,000
500,000	U.S. Treasury Notes, 1.38%, 12/31/18	491,680
1,050,000	U.S. Treasury Notes, 1.38%, 2/28/19	1,028,344
750,000	U.S. Treasury Notes, 1.25%, 4/30/19	726,621
800,000	U.S. Treasury Notes, 3.13%, 5/15/19	852,500
700,000	U.S. Treasury Notes, 2.63%, 8/15/20	714,218
400,000	U.S. Treasury Notes, 2.13%, 8/15/21	387,500
1,400,000	U.S. Treasury Notes, 2.00%, 2/15/22	1,328,578

		21,274,155
	TOTAL U.S. TREASURY OBLIGATIONS (Cost $21,887,446) (25.0%)	21,274,155
U.S. GOVERNMENT AGENCY OBLIGATIONS (37.2%)		
1,500,000	FHLB, 5.00%, 12/21/15	1,634,504
1,000,000	FHLMC, 2.00%, 8/25/16	1,034,112
600,000	FHLMC, 1.25%, 5/12/17	604,115
139,999	FHLMC Gold PC Pool #A29526, 5.00%, 1/1/35	150,929
59,798	FHLMC Gold PC Pool #A29633, 5.00%,1/1/35	64,435
62,042	FHLMC Gold PC Pool #A56491, 5.00%, 1/1/37	66,791
775,481	FHLMC Gold PC Pool #A95803, 4.00%, 12/1/40	797,841
192,608	FHLMC Gold PC Pool #A97264, 4.00%, 2/1/41	197,966
21,030	FHLMC Gold PC Pool #B12822, 5.00%, 3/1/19	22,591
10,029	FHLMC Gold PC Pool #B17398, 4.50%, 12/1/19	10,654

Principal Amount		Value
$ 46,914	FHLMC Gold PC Pool #B18034, 4.50%, 4/1/20	$ 50,609
455,555	FHLMC Gold PC Pool #C03516, 4.00%, 9/1/40	468,181
1,883,353	FHLMC Gold PC Pool #C09004, 3.50%, 7/1/42	1,870,822
23,976	FHLMC Gold PC Pool #C91413, 3.50%, 12/1/31	24,437
2,211	FHLMC Gold PC Pool #E92226, 5.00%, 11/1/17	2,340
3,023	FHLMC Gold PC Pool #E92829, 5.00%, 12/1/17	3,200
34,265	FHLMC Gold PC Pool #E93499, 5.00%, 12/1/17	36,272
3,864	FHLMC Gold PC Pool #E98960, 5.00%, 9/1/18	4,092
274,092	FHLMC Gold PC Pool #G06224, 3.50%, 1/1/41	272,269
46,559	FHLMC Gold PC Pool #G08184, 5.00%, 1/1/37	50,151
6,419	FHLMC Gold PC Pool #G11986, 5.00%, 4/1/21	6,933
9,219	FHLMC Gold PC Pool #G12319, 5.00%, 6/1/21	9,786
494,942	FHLMC Gold PC Pool #G14216, 3.50%, 7/1/21	519,892
54,289	FHLMC Gold PC Pool #G18044, 4.50%, 3/1/20	57,680
7,873	FHLMC Gold PC Pool #J00118, 5.00%,10/1/20	8,339
156,368	FHLMC Gold PC Pool #J00139, 5.00%, 10/1/20	166,603
48,971	FHLMC Gold PC Pool #J03233, 5.00%, 8/1/21	52,877
421,654	FHLMC Gold PC Pool #J11587, 4.00%, 1/1/25	451,654
40,308	FHLMC Gold PC Pool #Q01181, 4.50%, 6/1/41	42,721

See Notes to Financial Statements.

December 31, 2013

Principal Amount		Value
$ 139,207	FHLMC Gold PC Pool #Q06307, 3.50%, 2/1/42	$ 138,280
218,751	FHLMC Gold PC Pool #Q08903, 3.50%, 6/1/42	217,295
463,151	FHLMC Gold PC Pool #Q11556, 3.00%, 10/1/42	439,327
830,396	FHLMC Gold PC Pool #Q11908, 3.50%, 10/1/42	824,871
478,168	FHLMC Gold PC Pool #Q14593, 3.00%, 1/1/43	453,572
162,576	FHLMC, Pool #783022, 2.40%, 2/1/35 (2)	172,889
127,648	FHLMC, REMIC Trust Series 2643, Class ME, 3.50%, 3/15/18	130,837
3,899	FHLMC, REMIC Trust Series 2645, Class NA, 3.50%, 9/15/31	3,904
854,732	FHLMC, REMIC Trust Series 3632, Class AP, 3.00%, 2/15/40	883,182
500,000	FNMA, 1.10%, 7/11/17	495,382
500,000	FNMA, 1.10%, 3/12/18	484,615
1,000,000	FNMA, 7.25%, 5/15/30	1,372,718
18,947	FNMA Pool #254383, 7.50%, 6/1/32	21,067
53,505	FNMA Pool #254476, 5.50%, 9/1/32	58,952
49,006	FNMA Pool #254684, 5.00%, 3/1/18	52,207
113,103	FNMA Pool #255496, 5.00%, 11/1/34	122,801
8,996	FNMA Pool #255580, 5.50%, 2/1/35	9,897
6,119	FNMA Pool #258149, 5.50%, 9/1/34	6,757
33,560	FNMA Pool #412682, 6.00%, 3/1/28	37,697
5,765	FNMA Pool #511823, 5.50%, 5/1/16	6,118
193	FNMA Pool #568625, 7.50%, 1/1/31	199
30,702	FNMA Pool #571090, 7.50%, 1/1/31	31,390
1,690	FNMA Pool #573935, 7.50%, 3/1/31	1,810
19,018	FNMA Pool #622373, 5.50%, 12/1/16	20,199
32,829	FNMA Pool #623503, 6.00%, 2/1/17	34,239

Principal Amount		Value
$ 126,963	FNMA Pool #626440, 7.50%, 2/1/32	$ 144,295
17,932	FNMA Pool #631328, 5.50%, 2/1/17	19,159
2,165	FNMA Pool #638247, 5.50%, 5/1/17	2,300
1,575	FNMA Pool #643277, 5.50%, 4/1/17	1,673
14,690	FNMA Pool #685183, 5.00%, 3/1/18	15,649
2,060	FNMA Pool #688539, 5.50%, 3/1/33	2,269
24,876	FNMA Pool #703936, 5.00%, 5/1/18	26,512
49,835	FNMA Pool #726889, 5.50%, 7/1/33	54,879
113,109	FNMA Pool #735224, 5.50%, 2/1/35	124,525
43,232	FNMA Pool #763393, 5.50%, 2/1/34	47,458
5,651	FNMA Pool #769682, 5.00%, 3/1/34	6,142
71,250	FNMA Pool #769862, 5.50%, 2/1/34	78,247
1,401	FNMA Pool #778141, 5.00%, 5/1/34	1,524
302,069	FNMA Pool #780956, 4.50%, 5/1/19	328,511

990	FNMA Pool #789150, 5.00%, 10/1/34	1,082
15,819	FNMA Pool #797154, 5.50%, 11/1/34	17,518
44,073	FNMA Pool #801063, 5.50%, 11/1/34	48,455
29,809	FNMA Pool #803675, 5.50%, 12/1/34	32,775
29,231	FNMA Pool #804683, 5.50%, 12/1/34	32,112
190,655	FNMA Pool #815813, 2.57%, 2/1/35 (2)	202,307
201,676	FNMA Pool #919584, 6.00%, 6/1/37	223,344
32,076	FNMA Pool #AA2531, 4.50%, 3/1/39	33,974
437,136	FNMA Pool #AB2346, 4.50%, 2/1/41	463,305
865,216	FNMA Pool #AB5231, 2.50%, 5/1/27	859,276
422,540	FNMA Pool #AB5716, 3.00%, 7/1/27	431,687
398,395	FNMA Pool #AB9386, 4.00%, 5/1/43	410,384
475,501	FNMA Pool #AC8908, 4.50%, 1/1/40	503,579
37,819	FNMA Pool #AD1035, 4.50%, 2/1/40	40,071

Principal Amount		Value
$ 200,000	FNMA Pool #AD6374, 5.00%, 5/1/40	$ 217,919
230,241	FNMA Pool #AD7136, 5.00%, 7/1/40	250,550
183,564	FNMA Pool #AD8536, 5.00%, 8/1/40	200,520
978,906	FNMA Pool #AE1853, 4.00%, 8/1/40	1,008,143
568,125	FNMA Pool #AH5575, 4.00%, 2/1/41	585,191
595,009	FNMA Pool #AH8932, 4.50%, 4/1/41	630,747
55,000	FNMA Pool #AI0620, 4.50%, 5/1/41	58,289
480,925	FNMA Pool #AI5011, 4.50%, 6/1/41	509,656
266,164	FNMA Pool #AJ5888, 4.50%, 11/1/41	281,975
397,499	FNMA Pool #AJ9278, 3.50%, 12/1/41	395,281
879,869	FNMA Pool #AO7977, 3.00%, 6/1/27	898,921
424,719	FNMA Pool #AQ0287, 3.00%, 10/1/42	403,636
484,075	FNMA Pool #AR2174, 3.00%, 4/1/43	460,041
420,311	FNMA Pool #AR6394, 3.00%, 2/1/43	399,491
895,950	FNMA Pool #AT8849, 4.00%, 6/1/43	922,859
549,060	FNMA Pool #AU7025, 3.00%, 11/1/43	521,857
529,279	FNMA Pool #MA0641, 4.00%, 2/1/31	552,946
1,390,018	FNMA Pool #MA1107, 3.50%, 7/1/32	1,415,535
7,222	FNMA REMIC Trust Series 2003-17, Class ED, 4.25%, 9/25/22	7,228
37,821	FNMA REMIC Trust Series 2003-38, Class TC, 5.00%, 3/25/23	39,679
238,872	FNMA REMIC Trust Series 2004-60, Class LB, 5.00%, 4/25/34	258,800
473,613	FNMA REMIC Trust Series 2009-88, Class MA, 4.50%, 10/25/39	508,568
188,689	FNMA REMIC Trust Series 2013-18, Class AE, 2.00%, 3/25/28	179,493

See Notes to Financial Statements.

Schedule of Investments (continued)

Principal Amount		Value
$ 43,343	GNMA Pool #003645, 4.50%, 12/20/19	$ 46,277
2,114	GNMA Pool #429786, 6.00%, 12/15/33	2,414
42,230	GNMA Pool #548880, 6.00%, 12/15/31	46,971
28,670	GNMA Pool #551762, 6.00%, 4/15/32	31,899
3,177	GNMA Pool #557681, 6.00%, 8/15/31	3,534
15,232	GNMA Pool #582415, 6.00%, 11/15/32	17,164
66,995	GNMA Pool #583008, 5.50%, 6/15/34	74,321
58,302	GNMA Pool #605025, 6.00%, 2/15/34	65,691
18,507	GNMA Pool #605245, 5.50%, 6/15/34	20,318
32,646	GNMA Pool #610944, 5.50%, 4/15/34	35,840
51,366	GNMA Pool #622603, 6.00%, 11/15/33	57,137
5,456	GNMA Pool #626480, 6.00%, 2/15/34	6,160
663,934	GNMA Series 2010-151, Class KA, 3.00%, 9/16/39	674,597
476,238	GNMA Series 2011-136, Class GB, 2.50%, 5/20/40	462,423
256,211	GNMA Series 2011-17, Class EP, 3.50%, 12/16/39	265,196
250,000	GNMA, TBA, 3.00%,1/1/44	241,543
	TOTAL U.S. GOVERNMENT AGENCY OBLIGATIONS (Cost $31,631,699) (37.2%)	31,614,823

	Principal Amount		Value
SHORT-TERM INVESTMENTS (0.3%)			
		JOINT REPURCHASE AGREEMENTS (INVESTMENTS OF CASH COLLATERAL FOR SECURITIES ON LOAN)(0.3%)	
$	86,636	Joint Repurchase Agreement with Morgan Stanley, 0.02%, dated 12/31/13, due 01/02/14, delivery value $86,636 (collateralized by $88,369 U.S. Treasury Bonds 4.250% - 8.000% due 11/15/21 - 11/15/40 and U.S. Treasury Notes 2.625% - 2.750% due 11/15/20 - 11/15/23, with a value of $87,919)	$ 86,636
	127,892	Joint Repurchase Agreement with Barclays, 0.01%, dated 12/31/13, due01/02/14, delivery value $127,892 (collateralized by $130,450 U.S. Treasury Inflation Indexed Notes 1.250% -1.875% due 04/15/14 - 07/15/15, with a value of $129,464)	127,892
	20,628	Joint Repurchase Agreement with Citigroup, 0.01%, dated 12/31/13, due 01/02/14, delivery value $20,628 (collateralized by $21,040 U.S. Treasury Bills 0.000% due 02/20/14, with a value of $21,040)	20,628
			235,156

Principal Amount		Value
	TOTAL SHORT-TERM INVESTMENTS (Cost $235,156) (0.3%)	$ 235,156
	TOTAL INVESTMENT SECURITIES (98.8%) (Cost $85,280,704)	$ 84,034,683
CASH AND OTHER ASSETS IN EXCESS OF LIABILITIES (1.2%)		1,010,476
NET ASSETS (100%)		$ 85,045,159
NET ASSET VALUE OFFERING AND REDEMPTION PRICE, PER OUTSTANDING SHARE ($85,045,159 ÷ 17,529,435 shares outstanding)		$ 4.85

(1) Pursuant to Rule 144A under the Securities Act of 1933, this security can only be sold to qualified institutional investors.
(2) The rate shown on floating rate and discount securities represents the yield or rate at the end of the reporting period.
(3) A portion or all of the security was held on loan. As of December 31, 2013, the market value of the securities on loan was $257,657.
(4) Treasury Inflation Protected Security (TIPS).
FHLB Federal Home Loan Bank.
FHLMC. Federal Home Loan Mortgage Corp
FNMA Federal National Mortgage Association.
GNMA Government National Mortgage Association.
MTN Medium Term Note.
REIT Real Estate Investment Trust.
TBA To Be Announced.

The following table summarizes the inputs used to value the Fund’s investments in securities as of December 31, 2013 (See Note 1B):

Value Line Core Bond Fund	Level 1	Level 2	Level 3	Total
Assets:				
Corporate Bonds & Notes	$ —	$ 26,193,446	$ —	$ 26,193,446
Commercial Mortgage-Backed Securities	—	3,149,582	—	3,149,582
Foreign Government Obligations	—	582,004	—	582,004
Long-Term Municipal Securities	—	985,517	—	985,517
U.S. Treasury Obligations	—	21,274,155	—	21,274,155
U.S. Government Agency Obligations	—	31,614,823	—	31,614,823
Short-Term Investments	—	235,156	—	235,156
Total	$ —	$ 84,034,683	$ —	$ 84,034,683

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Statements of Assets and Liabilities
at December 31, 2013

	Value Line Premier Growth Fund, Inc.	The Value Line Fund, Inc.	Value Line Income and Growth Fund, Inc.	Value Line Larger Companies Fund, Inc.	Value Line Core Bond Fund
Assets:					
Investment securities, at value*					
Investments(1)	$ 396,539,636	$122,830,976	$ 303,413,375	$ 205,308,622	$ 83,799,527
Repurchase agreements(2)	18,615,511	2,456,822	36,599,560	13,108,098	235,156
Total investments, at value	$ 415,155,147	$125,287,798	$ 340,012,935	$ 218,416,720	$ 84,034,683
Cash	2,013,536	374,469	1,638,295	1,118,917	1,279,222
Receivable for securities sold	1,065,278	696,193	1,105,484	—	—
Interest and dividends receivable	371,826	94,511	805,654	213,793	545,431
Receivable for capital shares sold	295,901	20,070	201,223	120	28
Prepaid expenses	7,675	7,136	15,895	8,902	4,264
Receivable for securities lending income	5,565	588	8,330	4,708	54
Other receivables	2,247	—	—	—	74,130
Total Assets	418,917,175	126,480,765	343,787,816	219,763,160	85,937,812
Liabilities:					
Payable upon return of securities on loan	16,241,965	1,070,625	11,524,575	7,953,525	263,125
Payable for securities purchased	—	—	1,119,611	—	461,425
Payable for capital shares redeemed	181,297	—	126,176	91,421	77,534
Dividends payable to shareholders	—	—	—	—	9,727
Accrued expenses:					
Advisory fee	251,297	72,153	184,561	131,617	29,228
Service and distribution plan fees	83,766	26,118	55,481	26,323	14,614
Directors' fees and expenses	204	347	1,059	403	184
Other	85,694	43,487	78,250	51,403	36,816
Total Liabilities	16,844,223	1,212,730	13,089,713	8,254,692	892,653
Net Assets	$ 402,072,952	$125,268,035	$ 330,698,103	$ 211,508,468	$ 85,045,159
Net assets consist of:					
Capital stock, at $1.00, $1.00, $1.00, $1.00 and $0.01 par value, respectively (authorized 100,000,000, 50,000,000, 75,000,000, 50,000,000 and unlimited shares, respectively)	$ 11,828,557	$9,278,231	$ 33,679,337	$ 8,270,759	$ 175,294
Additional paid-in capital	180,771,820	101,953,997	216,551,661	151,129,623	86,998,377
Undistributed/(distributions in excess of) net investment income	—	56,121	142,003	936,119	(9,727)

Accumulated net realized gain/(loss) on investments, foreign currency and written options	1,752,692	(42,937,235)	2,807,028	(34,978,877)	(872,764)
Net unrealized appreciation/(depreciation) of: Investments and foreign currency translations	207,719,883	56,916,921	77,518,074	86,150,844	(1,246,021)
Net Assets	$ 402,072,952	$125,268,035	$ 330,698,103	$ 211,508,468	$ 85,045,159
Shares Outstanding	11,828,557	9,278,231	33,679,337	8,270,759	17,529,435
Net Asset Value, Offering and Redemption Price per Outstanding Share	$ 33.99	$13.50	$ 9.82	$ 25.57	$ 4.85
* Includes securities on loan of	$ 15,893,168	$1,048,806	$ 11,304,497	$ 7,803,401	$ 257,657
(1) Cost of investments	$ 188,819,815	$65,914,055	$ 225,895,371	$ 119,157,923	$ 85,045,548
(2) Cost of repurchase agreements	$ 18,615,511	$2,456,822	$ 36,599,560	$ 13,108,098	$ 235,156

See Notes to Financial Statements.
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Statements of Operations
for the Year Ended December 31, 2013

	Value Line Premier Growth Fund, Inc.	The Value Line Fund, Inc.	Value Line Income and Growth Fund, Inc.	Value Line Larger Companies Fund, Inc.	Value Line Core Bond Fund(1)	Value Line Core Bond Fund(2)
Investment Income:						
Dividends (net of foreign withholding tax of $116,207, $21,586, $84,761, $64,762, $0 and $0, respectively)	$ 4,432,076	$ 1,332,281	$ 5,331,036	$ 2,956,465	$ —	$ 27,995
Interest	6,821	1,063	2,018,105	3,598	1,777,021	2,008,525
Securities lending income	98,053	24,664	81,076	32,895	517	22,017
Total Income	4,536,950	1,358,008	7,430,217	2,992,958	1,777,538	2,058,537
Expenses:						
Advisory fee	2,798,432	807,293	2,095,572	1,458,201	382,486	237,606
Service and distribution plan fees	932,811	291,282	785,503	486,089	191,271	79,202
Sub-transfer agent fees	110,726	7,527	61,727	13,109	—	—
Custodian fees	74,110	31,440	85,969	39,052	47,476	21,656
Auditing and legal fees	197,719	65,496	168,994	102,728	147,569	50,119
Transfer agent fees	149,941	90,097	130,393	101,270	72,093	31,422
Directors’ fees and expenses	76,483	24,032	65,129	40,159	15,577	7,021
Printing and postage	143,469	84,042	118,060	93,745	89,546	42,994
Registration and filing fees	42,004	29,348	33,131	33,326	27,854	33,221
Insurance	40,958	13,329	36,057	22,369	5,067	3,823
Other	57,168	21,353	47,422	31,503	15,050	7,185
Total Expenses Before Fees Waived and Custody Credits	4,623,821	1,465,239	3,627,957	2,421,551	993,989	514,249
Less: Service and Distribution Plan Fees Waived	—	(165,777)	(156,915)	(360,818)	(38,265)	(31,681)
Less: Advisory Fees Waived	—	—	—	—	(76,530)	(63,362)
Less: Custody Credits	—	—	—	—	—	(287)
Net Expenses	4,623,821	1,299,462	3,471,042	2,060,733	879,194	418,919
Net Investment Income/(Loss)	(86,871)	58,546	3,959,175	932,225	898,344	1,639,618
Net Realized and Unrealized Gain/(Loss) on Investments, Foreign Exchange Transactions and Written Options:						
Net Realized Gain/(Loss) From:						
Investments	25,560,730	9,276,079	14,331,770	12,204,713	(866,870)	1,779,984

Written options	—	—	69,248	—	—	—
Foreign currency transactions	4,396	(585)	(1,051)	744	—	—
	25,565,126	9,275,494	14,399,967	12,205,457	(866,870)	1,779,984
Change in Net Unrealized Appreciation/(Depreciation) of:						
Investments	62,182,310	22,101,193	37,461,920	38,251,563	(3,263,603)	(866,255)
Foreign currency transactions	82	11	274	453	—	—
	62,182,392	22,101,204	37,462,194	38,252,016	(3,263,603)	(866,255)
Net Realized Gain and Change in Net Unrealized Appreciation/(Depreciation) on Investments, Foreign Exchange Transactions and Written Options	87,747,518	31,376,698	51,862,161	50,457,473	(4,130,473)	913,729
Net Increase/(Decrease) in Net Assets from Operations	$ 87,660,647	$ 31,435,244	$ 55,821,336	$ 51,389,698	$ (3,232,129)	$ 2,553,347

(1) Period from February 1, 2013 to December 31, 2013.
(2) Year Ended January 31, 2013.

See Notes to Financial Statements.

Statement of Changes in Net Assets
for the Years Ended December 31, 2013 and 2012

	Value Line Premier Growth Fund, Inc.	
	Year Ended December 31, 2013	Year Ended December 31, 2012
Operations:		
Net investment income/(loss)	$ (86,871)	$ 916,159
Net realized gain on investments, written options and foreign currency	25,565,126	24,763,062
Change in net unrealized appreciation/(depreciation) on investments and foreign currency	62,182,392	26,967,212
Net increase in net assets from operations	87,660,647	52,646,433
Distributions to Shareholders from:		
Net investment income	—	(1,001,240)
Net realized gain from investment transactions	(27,662,900)	(24,163,438)
Total Distributions	(27,662,900)	(25,164,678)
Capital Share Transactions:		
Proceeds from sale of shares	36,026,126	59,483,434
Proceeds from reinvestment of dividends and distributions to shareholders	26,690,717	24,174,754
Cost of shares redeemed	(58,077,559)	(72,131,660)
Net increase/(decrease) in net assets from capital share transactions	4,639,284	11,526,528
Total Increase/(Decrease) in Net Assets	64,637,031	39,008,283
Net Assets:		
Beginning of year	337,435,921	298,427,638
End of year	$ 402,072,952	$ 337,435,921
Undistributed/(distributions in excess of) net investment income included in net assets, at end of year	$ —	$ (2,029)

See Notes to Financial Statements.

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The Value Line Fund, Inc.		Value Line Income and Growth Fund, Inc.		Value Line Larger Companies Fund, Inc.	
Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2013	Year Ended December 31, 2012
$ 58,546	$ 558,673	$ 3,959,175	$ 4,498,399	$ 932,225	$ 1,359,399
9,275,494	13,414,151	14,399,967	13,218,671	12,205,457	3,786,520
22,101,204	3,749,359	37,462,194	13,315,963	38,252,016	20,499,383
31,435,244	17,722,183	55,821,336	31,033,033	51,389,698	25,645,302
(526,843)	—	(3,803,097)	(4,463,988)	(1,253,220)	(1,087,423)
—	—	(13,525,713)	(11,203,043)	—	—
(526,843)	—	(17,328,810)	(15,667,031)	(1,253,220)	(1,087,423)
2,105,661	3,226,854	17,287,138	7,178,813	1,455,686	2,278,669
497,705	—	15,889,436	14,279,164	1,190,112	1,033,051
(18,041,621)	(44,487,216)	(36,676,256)	(47,345,268)	(25,516,390)	(22,410,433)
(15,438,255)	(41,260,362)	(3,499,682)	(25,887,291)	(22,870,592)	(19,098,713)
15,470,146	(23,538,179)	34,992,844	(10,521,289)	27,265,886	5,459,166
109,797,889	133,336,068	295,705,259	306,226,548	184,242,582	178,783,416
$ 125,268,035	$ 109,797,889	$ 330,698,103	$ 295,705,259	$ 211,508,468	$ 184,242,582
$ 56,121	$ 556,189	$ 142,003	$ (13,378)	$ 936,119	$ 1,359,830

Statement of Changes in Net Assets
for the Years Ended December 31, 2013, January 31, 2013 and January 31, 2012

	Value Line Core Bond Fund Period from February 1, 2013 to December 31, 2013	Year Ended January 31, 2013	Year Ended January 31, 2012
Operations:			
Net investment income	$898,344	$1,639,618	$1,950,280
Net realized gain/(loss) on investments	(866,870)	1,779,984	1,085,696
Change in net unrealized appreciation/(depreciation) on investments	(3,263,603)	(866,255)	(1,326,754)
Net increase/ (decrease) in net assets from operations	(3,232,129)	2,553,347	1,709,222
Distributions to Shareholders from:			
Net investment income	(893,166)	(1,614,009)	(1,950,884)
Return of capital	(155,298)	—	—
Net realized gain from investment transactions	—	(25,662)	—
Total Distributions	(1,048,464)	(1,639,671)	(1,950,884)
Capital Share Transactions:			
Proceeds from sale of shares	1,687,477	2,261,091	2,010,996
Net assets of shares issued in connection with reorganization (Note 4)	73,396,078	—	—
Proceeds from reinvestment of dividends and distributions to shareholders	915,474	1,273,759	1,495,168
Cost of shares redeemed	(17,223,654)	(6,101,213)	(5,946,471)
Net increase/(decrease) in net assets from capital share transactions	58,775,375	(2,566,363)	(2,440,307)
Total Increase/(Decrease) in Net Assets	54,494,782	(1,652,687)	(2,681,969)
Net Assets:			
Beginning of period	30,550,377	32,203,064	34,885,033
End of period	$85,045,159	$30,550,377	$32,203,064
Distributions in excess of net investment income included in net assets, at end of period	$(9,727)	$(9,655)	$(37,870)

See Notes to Financial Statements.

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Financial Highlights

Selected data for a share of capital stock outstanding throughout each year:

	Net asset value, beginning of year	Income/(loss) from investment operations: Net investment income/ (loss)	Net gains/ (losses) on securities (both realized and unrealized)	Total from investment operations	Redemption fees	Less distributions: Dividends from net investment income	Distributions from net realized gains	Distributions from return of capital	Total distributions
Value Line Premier Growth Fund, Inc.									
Year ended December 31, 2013	$ 28.84	0.00(1)	7.64	7.64	—	—	(2.49)	—	(2.49)
Year ended December 31, 2012	26.48	0.09	4.59	4.68	—	(0.09)	(2.23)	—	(2.32)
Year ended December 31, 2011	26.82	(0.08)	1.30	1.22	—	—	(1.56)	—	(1.56)
Year ended December 31, 2010	22.07	(0.01)(3)	4.79	4.78	—	(0.03)	—	—	(0.03)
Year ended December 31, 2009	16.69	0.02	5.37	5.39	—	(0.01)	—	—	(0.01)
The Value Line Fund, Inc.									
Year ended December 31, 2013	10.36	0.01	3.19	3.20	—	(0.06)	—	—	(0.06)
Year ended December 31, 2012	9.04	0.05	1.27	1.32	—	—	—	—	—
Year ended December 31, 2011	8.55	(0.00)(1)	0.49	0.49	—	(0.00)(1)	—	—	(0.00)(1)
Year ended December 31, 2010	6.81	0.00(1)	1.74	1.74	—	—	—	—	—

Year ended December 31, 2009	6.22	(0.01)	0.60	0.59	—	—	—	—	—
Value Line Income and Growth Fund, Inc.									
Year ended December 31, 2013	8.67	0.12	1.57	1.69	—	(0.12)	(0.42)	—	(0.54)
Year ended December 31, 2012	8.27	0.13	0.74	0.87	—	(0.13)	(0.34)	—	(0.47)
Year ended December 31, 2011	8.46	0.11	(0.19)	(0.08)	—	(0.11)	—	—	(0.11)
Year ended December 31, 2010	7.75	0.10	0.71	0.81	—	(0.10)	—	—	(0.10)
Year ended December 31, 2009	6.39	0.10	1.36	1.46	—	(0.10)	—	—	(0.10)
Value Line Larger Companies Fund, Inc.									
Year ended December 31, 2013	19.78	0.13	5.81	5.94	—	(0.15)	—	—	(0.15)
Year ended December 31, 2012	17.34	0.16	2.40	2.56	—	(0.12)	—	—	(0.12)
Year ended December 31, 2011	17.47	0.12	(0.17)	(0.05)	—	(0.08)	—	—	(0.08)
Year ended December 31, 2010	15.40	0.09	2.08	2.17	—	(0.10)	—	—	(0.10)
Year ended December 31, 2009	13.18	0.10	2.22	2.32	—	(0.10)	—	—	(0.10)
Value Line Core Bond Fund									
Period ended December 31, 2013(6)	5.07	0.06	(0.22)	(0.16)	—	(0.05)	—	(0.01)	(0.06)
Year ended January 31, 2013	4.92	0.26	0.15	0.41	0.00(1)	(0.26)	(0.00)(1)	—	(0.26)
	4.95	0.29	(0.03)	0.26	0.00(1)	(0.29)	—	—	(0.29)

Year ended January 31, 2012									
Year ended January 31, 2011	4.70	0.30	0.25	0.55	0.00(1)	(0.30)	—	—	(0.30)
Year ended January 31, 2010	3.89	0.28	0.81	1.09	0.00(1)	(0.28)	—	—	(0.28)
Year ended January 31, 2009	4.83	0.32	(0.95)	(0.63)	0.00(1)	(0.31)	—	—	(0.31)

* Ratio reflects expenses grossed up for the custody credit arrangement, waiver of the advisory fees by the Adviser and the service and distribution plan fees by the Distributor. The custody credit arrangement was discontinued as of January 1, 2013.

** Ratio reflects expenses net of the custody credit arrangement, waiver of the advisory fees by the Adviser and the service and distribution plan fees by the Distributor. The custody credit arrangement was discontinued as of January 1, 2013.

(1) Amount is less than $0.01 per share.

(2) Amount rounds to less than 0.005%.

(3) Based on average shares outstanding.

(4) Ratio reflects expenses grossed up for the reimbursement by Value Line, Inc. of certain expenses incurred by the Fund.

(5) Ratio reflects expenses net of the reimbursement by Value Line, Inc. of certain expenses incurred by the Fund.

(6) Period from February 1, 2013 to December 31, 2013.

(7) Not Annualized.

(8) Annualized.

(9) The ratio of expenses to average net assets, net of custody credits, but exclusive of the fee waivers would have been 1.48%.

See Notes to Financial Statements.

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Ratios/Supplemental Data

Net asset value, end of year	Total return	Net assets, end of year (in thousands)	Ratio of gross expenses to average net assets*	Ratio of net expenses to average net assets**	Ratio of net investment income/(loss) to average net assets	Portfolio turnover rate
$ 33.99	26.56 %	$ 402,073	1.24 %	1.24 %	(0.02)%(2)	11 %
28.84	17.80 %	337,436	1.25 %	1.25 %	0.28 %	15 %
26.48	4.59 %	298,428	1.24 %	1.24 %	(0.28)%	20 %
26.82	21.66 %	311,829	1.23 %(4)	1.19 %(5)	(0.02)%	16 %
22.07	32.29 %	347,938	1.22 %	1.22 %	0.11 %	8 %
13.50	30.86 %	125,268	1.26 %	1.12 %	0.05 %	7 %
10.36	14.60 %	109,798	1.28 %	1.03 %	0.46 %	6 %
9.04	5.75 %	133,336	1.29 %	0.94 %	(0.02)%	18 %
8.55	25.55 %	104,200	1.31 %(4)	0.91 %(5)	0.02 %	27 %
6.81	9.49 %	92,680	1.36 %	1.04 %	(0.22)%	122 %
9.82	19.55 %	330,698	1.16 %	1.11 %	1.26 %	27 %
8.67	10.62 %	295,705	1.19 %	1.14 %	1.48 %	31 %
8.27	(0.90)%	306,227	1.20 %	1.15 %	1.25 %	57 %
8.46	10.55 %	332,695	1.14 %(4)	1.05 %(5)	1.22 %	46 %
7.75	23.07 %	340,210	1.13 %	1.09 %	1.49 %	56 %
25.57	30.05 %	211,508	1.25 %	1.06 %	0.48 %	8 %
19.78	14.82 %	184,243	1.27 %	1.02 %	0.72 %	17 %
17.34	(0.27)%	178,783	1.25 %	1.00 %	0.60 %	30 %
17.47	14.09 %	199,524	1.21 %(4)	0.92 %(5)	0.44 %	153 %
15.40	17.62 %	202,454	1.26 %	1.01 %	0.62 %	157 %
4.85	(3.13)%(7)	85,045	1.30 %(8)	1.15 %(8)	1.17 %(8)	61 %(7)
5.07	8.49 %	30,550	1.62 %	1.32 %	5.18 %	103 %
4.92	5.48 %	32,203	1.55 %	1.25 %	5.95 %	50 %
4.95	12.01 %	34,885	1.48 %(4)	1.13 %(5)	6.20 %	42 %
4.70	28.92 %	37,787	1.56 %	1.13 %	6.51 %	51 %
3.89	(13.42)%	25,924	1.50 %(9)	0.98 %	7.17 %	39 %

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Notes to Financial Statements

1. Significant Accounting Policies

Value Line Premier Growth Fund, Inc., The Value Line Fund, Inc., Value Line Income and Growth Fund, Inc., Value Line Larger Companies Fund, Inc., and Value Line Core Bond Fund, (individually a "Fund" and collectively, the "Funds") are each registered under the Investment Company Act of 1940, as amended, as diversified, open-end management investment companies. The primary investment objective of the Value Line Premier Growth Fund, Inc. and The Value Line Fund, Inc. is long-term growth of capital. The primary investment objective of the Value Line Income and Growth Fund, Inc. is income, as high and dependable as is consistent with reasonable risk and capital growth to increase total return is a secondary objective. The sole investment objective of the Value Line Larger Companies Fund, Inc. is to realize capital growth. The primary investment objective of the Value Line Core Bond Fund is to maximize current income. As a secondary investment objective, the Fund will seek capital appreciation, but only when consistent with its primary objective. The Value Line Funds (the "Value Line Funds") is a family of 10 mutual funds that includes a wide range of solutions designed to meet virtually any investment goal and consists of a variety of equity, fixed income, and hybrid funds.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies consistently followed by the Funds in the preparation of their financial statements.

(A) Security Valuation: Securities listed on a securities exchange are valued at the closing sales prices on the date as of which the net asset value is being determined. Securities traded on the NASDAQ Stock Market are valued at the NASDAQ Official Closing Price. In the absence of closing sales prices for such securities and for securities traded in the over-the-counter market, the security is valued at the midpoint between the latest available and representative asked and bid prices. Short-term instruments with maturities of 60 days or less at the date of purchase are valued at amortized cost, which approximates fair value. Short-term instruments with maturities greater than 60 days at the date of purchase are valued at the midpoint between the latest available and representative asked and bid prices, and commencing 60 days prior to maturity such securities are valued at amortized cost.

The Board of Directors (the "Board") has determined that the value of bonds and other fixed income corporate securities be calculated on the valuation date by reference to valuations obtained from an independent pricing service that determines valuations for normal institutional-size trading units of debt securities, without exclusive reliance upon quoted prices. This service takes into account appropriate factors such as institutional-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics and other market data in determining valuations. Bonds and fixed income securities are valued at the evaluated bid on the date as of which the net asset value is being determined. Securities, other than bonds and other fixed income securities, not priced in this manner are valued at the midpoint between the latest available and representative bid and asked prices or, when stock valuations are used, at the latest quoted sale price as of the regular close of business of the New York Stock Exchange on the valuation date.

The Board has adopted procedures for valuing portfolio securities in circumstances where market quotes are not readily available, and has delegated the responsibility for applying the valuation methods to the Adviser. A valuation committee (the “Valuation Committee”) was established by the Board to oversee the implementation of the Funds’ valuation methods and to make fair value determinations on behalf of the Board, as instructed. The Adviser monitors the continued appropriateness of methods applied and determines if adjustments should be made in light of market changes, events affecting the issuer, or other factors. If the Adviser determines that a valuation method may no longer be appropriate, another valuation method may be selected, or the Valuation Committee will be convened to consider the matter and take any appropriate action in accordance with procedures set forth by the Board. The Board shall review the appropriateness of the valuation methods and these methods may be amended or supplemented from time to time by the Valuation Committee. In addition, the Funds may use the fair value of a security when the closing market price on the primary exchange where the security is traded no longer reflects the value of a security due to factors affecting one or more relevant securities markets or the specific issuer.

December 31, 2013

(B) Fair Value Measurements: The Funds follow fair valuation accounting standards (FASB ASC 820-10) which establishes a definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion of changes in valuation techniques and related inputs during the period. These inputs are summarized in the three broad levels listed below:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 – Inputs that are unobservable.

Transfers between investment levels may occur as the markets fluctuate and/or the availability of data used in an investment's valuation changes. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The Funds follow the updated provisions surrounding fair value measurements and disclosures on transfers in and out of all levels of the fair value hierarchy on a gross basis and the reasons for the transfers as well as to disclosures about the valuation techniques and inputs used to measure fair value for investments that fall in either Level 2 or Level 3 of the fair value hierarchy.

The Funds' policy is to recognize transfers between levels at the beginning of the reporting period.

The amounts and reasons for all transfers in and out of each level within the three-tier hierarchy are disclosed when the Funds had an amount of total transfers during the reporting period that were meaningful in relation to their net assets as of the end of the reporting period (e.g. greater than 1%). An investment asset's or liability's level within the fair value hierarchy is based on the lowest level input, individually or in aggregate, that is significant to fair value measurement. The objective of fair value measurement remains the same even when there is a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation techniques used.

For the year ended December 31, 2013 there were no Level 3 investments. The Schedule of Investments includes a breakdown of the Funds' investments by category.

(C) Repurchase Agreements: Each Fund may enter into repurchase agreements, under the terms of a Master Repurchase Agreement, with selected commercial banks and broker-dealers, under which the Funds acquire securities as collateral and agrees to resell the securities at an agreed upon time and at an agreed upon price. Each Fund, through the custodian or a sub-custodian, receives delivery of the underlying securities collateralizing repurchase agreements. The Funds' custodian takes possession of the underlying collateral securities, the value of which exceeds the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, it is the Funds' policy to mark-to-market the value of the underlying securities daily to ensure the adequacy of the collateral. In the event of default by either the seller or the Funds, the Master Repurchase Agreement may permit the non-defaulting party to net and close out all transactions. The Funds have the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. Under certain circumstances, in the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings. The repurchase and joint repurchase agreements held by the Funds at the year end had been entered into on December 31, 2013.

At year end, Value Line Premier Growth Fund, Inc., The Value Line Fund, Inc., Value Line Income and Growth Fund, Inc., and Value Line Larger Companies Fund, Inc., respectively, had investments in repurchase agreements with a gross value of $4,100,000, $1,500,000, $26,300,000 and $6,000,000 on the Statements of Assets and Liabilities. The value of each Fund's related collateral exceeded the value of the repurchase agreements at year end. There were no open repurchase agreements for Value Line Core Bond Fund at December 31, 2013.

At year end, Value Line Premier Growth Fund, Inc., The Value Line Fund, Inc., Value Line Income and Growth Fund, Inc., Value Line Larger Companies Fund, Inc., and Value Line Core Bond Fund, respectively, had investments in joint repurchase agreements with a gross value of $14,515,511, $956,822, $10,299,560, $7,108,098 and $235,156 on the Statements of Assets and Liabilities. The value of each Fund's related collateral exceeded the value of the joint repurchase agreements at year end.

(D) Federal Income Taxes: It is the policy of the Funds to each qualify as a regulated investment company by complying with the provisions available to regulated investment companies, as defined in applicable sections of the Internal Revenue Code, and to distribute all of their investment income and capital gains to its shareholders. Therefore, no provision for federal income tax is required.

Notes to Financial Statements (continued)

Management has analyzed the Funds' tax positions taken on federal and state income tax returns for all open tax years (fiscal years ended December 31, 2010 through December 31, 2013), and has concluded that no provision for federal or state income tax is required in the Funds' financial statements. The Funds' federal and state income tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

(E) Security Transactions and Distributions: Security transactions are accounted for on the date the securities are purchased or sold. Realized gains and losses on sales of securities are calculated for financial accounting and federal income tax purposes on the basis of the first in first out contention ("FIFO"). Dividend income and distributions to shareholders are recorded on the ex-dividend date. Distributions are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Interest income, adjusted for the amortization of discount and premium, is earned from settlement date and recognized on the accrual basis. Gains and losses realized on prepayments received on mortgage-related securities are recorded as interest income.

The Funds may purchase mortgage pass-through securities on a to-be-announced ("TBA") basis, with payment and delivery scheduled for a future date. The Funds may enter into a TBA agreement, sell the obligation to purchase the pools stipulated in the TBA agreement prior to the stipulated settlement date and enter into a new TBA agreement for future delivery of pools of mortgage pass-through securities (a "TBA roll"). A TBA roll is treated by the Funds as a purchase transaction and a sale transaction in which the Funds realize a gain or loss. The Funds' use of TBA rolls may cause the Funds to experience higher portfolio turnover and higher transaction costs. The Funds could be exposed to possible risk if there is an adverse market action, expenses or delays in connection with TBA transactions, or if the counterparty fails to complete the transaction.

The Value Line Core Bond Fund may invest in Treasury Inflation-Protection Securities ("TIPS"). The principal value and interest payout of TIPS are periodically adjusted according to the rate of inflation based on the Consumer Price Index. The adjustments for principal and income due to inflation are reflected in interest income in the Statements of Operations.

Dividends from net investment income will be declared daily and paid monthly for the Value Line Core Bond Fund. Income dividends and capital gains distributions are automatically reinvested in additional shares of the Fund unless the shareholder has requested otherwise. Income earned by the Fund on weekends, holidays and other days on which the Fund is closed for business is declared as a dividend on the next day on which the Fund is open for business. The Value Line Income and Growth Fund, Inc. distributes all of its net investment income quarterly and the Value Line Premier Growth Fund, Inc., The Value Line Fund, Inc., and the Value Line Larger Companies Fund, Inc. distribute all of their net investment income annually. Net realized capital gains, if any, are distributed to shareholders annually or more frequently if necessary to comply with the Internal Revenue Code.

(F) Foreign Currency Translation: The books and records of the Funds are maintained in U.S. dollars. Assets and liabilities which are denominated in foreign currencies are translated to U.S. dollars at the prevailing rates of exchange at the valuation date. The Funds do not isolate changes in the value of investments caused by foreign exchange rate differences from the changes due to other circumstances.

Income and expenses are translated to U.S. dollars based upon the rates of exchange on the respective dates of such transactions.

Net realized foreign exchange gains or losses arise from currency fluctuations realized between the trade and settlement dates on securities transactions, the differences between the U.S. dollar amounts of dividends, interest, and foreign withholding taxes recorded by the Funds, and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities, other than investments, at the end of the fiscal period, resulting from changes in the exchange rates. The effect of the change in foreign exchange rates on the value of investments is included in realized gain/ (loss) on investments and change in net unrealized appreciation/(depreciation) on investments.

(G) Representations and Indemnifications: In the normal course of business, the Funds enter into contracts that contain a variety of representations and warranties which provide general indemnifications. The Funds' maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Funds that have not yet occurred. However, based on experience, the Funds expect the risk of loss to be remote.

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December 31, 2013

(H) Accounting for Real Estate Investment Trusts: The Funds own shares of Real Estate Investment Trusts ("REITs") which report information on the source of their distributions annually. Distributions received from REITs during the year which represent a return of capital are recorded as a reduction of cost and distributions which represent a capital gain dividend are recorded as a realized long-term capital gain on investments.

(I) Foreign Taxes: The Funds may be subject to foreign taxes on income, gains on investments, or currency repatriation, a portion of which may be recoverable. The Funds will accrue such taxes and recoveries as applicable, based upon its current interpretation of tax rules and regulations that exist in the markets in which it invests.

(J) Securities Lending: Under an agreement with State Street Bank & Trust ("State Street"), the Funds can lend their securities to brokers, dealers and other financial institutions approved by the Board. By lending their investment securities, the Funds attempt to increase their net investment income through receipt of interest on the loan. Any gain or loss in the market price of the securities loaned that might occur and any interest or dividends declared during the term of the loan would accrue to the account of the Funds. Risks of delay in recovery of the securities or even loss of rights in the collateral may occur should the borrower of the securities fail financially. Generally, in the event of a counter-party default, the Funds have the right to use the collateral to offset the losses incurred. The lending fees received and the Funds' portion of the interest income earned on the cash collateral are included in the Statements of Operations.

Upon entering into a securities lending transaction, the Funds receive cash or other securities as collateral in an amount equal to or exceeding 102% of the current market value of the loaned securities. Any cash received as collateral is invested by State Street Global Advisors, acting in its capacity as securities lending agent (the "Agent"), in The Value Line Funds collateral account, which is subsequently invested into joint repurchase agreements. A portion of the dividends received on the collateral is rebated to the borrower of the securities and the remainder is split between the Agent and the Funds.

The Funds enter into joint repurchase agreements whereby their uninvested cash collateral from securities lending is deposited into a joint cash account with other funds managed by the Adviser and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest in the repurchase agreement. A repurchase agreement is accounted for as a loan by the funds to the seller, collateralized by securities which are delivered to the Fund's custodian. The market value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%.

As of December 31, 2013, the Funds loaned securities which were collateralized by cash. The value of the securities on loan and the value of the related collateral were as follows:

Fund	Value of Securities Loaned	Value of Collateral	Total Collateral (including Calculated Mark)*
Value Line Premier Growth Fund, Inc.	$ 15,893,168	$ 16,241,965	$ 16,274,746
The Value Line Fund, Inc.	1,048,806	1,070,625	1,070,625
Value Line Income and Growth Fund, Inc.	11,304,497	11,524,575	11,547,888
Value Line Larger Companies Fund, Inc.	7,803,401	7,953,525	7,972,775

Value Line Core Bond Fund	257,657	263,125	263,125

* Balances represent the end of day mark-to-market of securities lending collateral that will be reflected by the Funds as of the next business day.

Additionally refer to Note 1(c) for details on joint repurchase agreements which were entered into using security lending cash collateral.

(K) Options: The Value Line Income and Growth Fund, Inc.'s investment strategy allows the use of options. The Fund utilizes options to hedge against changes in market conditions or to provide market exposure while trying to reduce transaction costs.

When the Fund writes a put or call option, an amount equal to the premiums received is included on the Statement of Assets and Liabilities as a liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the option. If an option expires on its stipulated expiration date or if the Fund enters into a closing purchase transaction, a gain or loss is realized. If a written call option on an individual security is exercised, a gain or loss is realized for the sale of the underlying security, and the proceeds from the sale are increased by the premium originally received. If a written put option on an individual security is exercised, the cost of the security acquired is decreased by the premium originally received. As a writer of an option, a Fund bears the market risk of an unfavorable change in the price of the individual security underlying the written option. Additionally, written call options may involve the risk of limited gains.

Notes to Financial Statements (continued)

The Fund may also purchase put and call options. When a Fund purchases a put or call option, an amount equal to the premium paid is included on the Fund's Statement of Assets and Liabilities as an investment, and is subsequently marked-to-market to reflect the current market value of the option. If an option expires on the stipulated expiration date or if the Fund enters into a closing sale transaction, a gain or loss is realized. If the Fund exercises a call option on an individual security, the cost of the security acquired is increased by the premium paid for the call. If the Fund exercises a put option on an individual security, a gain or loss is realized from the sale of the underlying security, and the proceeds from such a sale are decreased by the premium originally paid. Written and purchased options are non-income producing securities.

As of December 31, 2013, the Value Line Income and Growth Fund, Inc. had no open options contracts at December 31, 2013.

The Value Line Income and Growth Fund, Inc.'s written options are collateralized securities held at the Options Clearing Corporation's account at the Fund's custodian. The securities pledged as collateral are included on the Schedule of Investments. Such collateral is restricted from the Fund's use.

The number of options contracts written and the premiums received by the Value Line Income and Growth Fund, Inc. during the year ended December 31, 2013, were as follows:

Purchased Options	Number of Contracts	Premiums Received
Options outstanding at December 31, 2012	—	$ 0
Options purchased	400	45,018
Options expired/closed	(400)	(45,018)
Options outstanding at December 31, 2013	—	$ 0

Written Options	Number of Contracts	Premiums Received
Options outstanding at December 31, 2012	—	$ 0
Options written	630	69,248
Options assigned	(300)	(29,318)
Options expired/closed	(330)	(39,930)
Options outstanding at December 31, 2013	—	$ 0

The following is a summary of how these derivatives are treated in the financial statements and their impact on the Fund:

	Gain or (Loss) Derivative Recognized in Income	
Risk Type	Realized Gain (Loss)(a)	Change in Appreciation(b)
Equity - Purchased options	(45,018)	$ 0
Equity - Written options	69,248	0

For the year ended December 31, 2013, the Fund's quarterly holdings of written options contracts were as follows:

Quarter Ended	Number of Purchased Options Contracts Outstanding	Number of Written Options Contracts Outstanding
March 31, 2013	—	—
June 30, 2013	—	200
September 30, 2013	—	30
December 31, 2013	—	—

(a) Statements of Operations location: Net Realized Gain (Loss) from: Investments and Written options.
(b) Statements of Operations location: Change in Net Unrealized Appreciation/(Depreciation) of: Investments and Written options

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December 31, 2013

(L) Subsequent Events: Management has evaluated all subsequent transactions and events through the date on which these financial statements were issued and has determined that no additional items require disclosure.

2. Investment Risks

Securities issued by U.S. Government agencies or government-sponsored enterprises may not be guaranteed by the U.S. Treasury. The Government National Mortgage Association ("GNMA" or "Ginnie Mae"), a wholly-owned U.S. Government corporation, is authorized to guarantee, with the full faith and credit of the U.S. Government, the timely payment of principal and interest on securities issued by institutions approved by GNMA and backed by pools of mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. Government-related guarantors (i.e., not backed by the full faith and credit of the U.S. Government) include the Federal National Mortgage Association ("FNMA" or "Fannie Mae") and the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"). Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA, but are not backed by the full faith and credit of the U.S. Government. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but its participation certificates are not backed by the full faith and credit of the U.S. Government.

3. Capital Share Transactions, Dividends and Distributions to Shareholders

Transactions in capital stock were as follows:

		Year Ended December 31, 2013		Year Ended December 31, 2012
Value Line Premier Growth Fund, Inc.				
Shares sold		1,144,091		2,042,295
Shares issued to shareholders in reinvestment of dividends and distributions		790,836		850,616
Shares redeemed		(1,807,035)		(2,463,509)
Net increase		127,892		429,402
Dividends per share from net investment income	$	—	$	0.0925
Distributions per share from net realized gains	$	2.4934	$	2.2262
The Value Line Fund, Inc.				
Shares sold		178,945		328,898
Shares issued to shareholders in reinvestment of dividends and distributions		37,142		—
Shares redeemed		(1,537,052)		(4,481,149)
Net decrease		(1,320,965)		(4,152,251)
Dividends per share from net investment income	$	0.0570	$	—
Value Line Income and Growth Fund, Inc.				
Shares sold		1,821,122		821,795
Shares issued to shareholders in reinvestment of dividends and distributions		1,639,843		1,657,336

Shares redeemed		(3,887,583)		(5,417,424)
Net decrease		(426,618)		(2,938,293)
Dividends per share from net investment income	$	0.1157	$	0.1303
Distributions per share from net realized gains	$	0.4174	$	0.3403
Value Line Larger Companies Fund, Inc.				
Shares sold		65,511		119,348
Shares issued to shareholders in reinvestment of dividends		47,005		53,004
Shares redeemed		(1,157,543)		(1,169,950)
Net decrease		(1,045,027)		(997,598)
Dividends per share from net investment income	$	0.1521	$	0.1173

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Notes to Financial Statements (continued)

	Period from February 1, 2013 to December 31, 2013	Year Ended January 31, 2013	Year Ended January 31, 2012
Value Line Core Bond Fund			
Shares sold	338,817	452,862	413,006
Shares issued in connection with merger	14,453,737	—	—
Shares issued to shareholders in reinvestment of dividends	185,136	255,621	307,024
Shares redeemed	(3,475,528)	(1,222,950)	(1,220,003)
Net increase/(decrease)	11,502,162	(514,467)	(499,973)
Dividends per share from net investment income	$ 0.0537	$ 0.2531	$ 0.2899
Distributions per share from return of capital	$ 0.0089	$ —	$ —
Distributions per share from net realized gains	$ —	$ 0.0040	$ —

4. Reorganization

On December 13, 2012, the Board approved an agreement and plan of reorganization (the "Reorganization") pursuant to which the Value Line U.S. Government Securities Fund, Inc. (the "Acquired Fund") would merge into and become shareholders of the Value Line Core Bond Fund (the "Surviving Fund"). The Board believes the reorganization would be advantageous to the shareholders of both Funds for the reason that both Funds have similar investment objectives, improved performance and a larger and more diverse investment universe, potentially allowing for economies of scale to be realized over time.

On March 22, 2013, the Surviving Fund acquired all of the assets and assumed the liabilities of the Acquired Fund, in a tax-free exchange for Federal tax purposes, pursuant to the Reorganization approved by the Board of both Funds and shareholders of record of the Acquired Fund as of the applicable record date. All of the expenses incurred in connection with the Reorganization were paid by both the Acquired and Surviving Funds proportionately based on the Funds' respective net assets. The total Reorganization costs are $172,439. The value of shares issued by the Surviving Fund is presented in the Statement of Changes in Net Assets. The following table sets forth the number of shares issued by the Surviving Fund, the net assets and unrealized appreciation or depreciation of the Acquired Fund immediately prior to the Reorganization, and the net assets of the Surviving Fund immediately prior to and after the Reorganization:

Date of Reorganization	Surviving Fund	Shares Issued In Acquisition	Net Assets Before Reorganization	Net Assets After Reorganization
3-22-13	Value Line Core Bond Fund	14,453,737	$ 29,565,559	$ 102,961,637

Date of	Acquired	Shares	Acquired Portfolio	Acquired Portfolio Unrealized

Reorganization	Fund	Outstanding	Net Assets	Depreciation
3-22-13	Value Line U.S. Government Securities Fund, Inc.	6,308,486	$ 73,396,078	$ 1,483,441

Assuming the Reorganization had been completed on February 1, 2013, the beginning of the period for the Surviving Fund, the Surviving Fund's pro forma results of operations for the year ended December 31, 2013 would have been as follows:

Net investment income	$1,580,309
Net loss on investments	$(4,057,854)
Net decrease in net assets from operations	$(2,477,545)

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December 31, 2013

Because the combined investment portfolios have been managed as a single integrated portfolio since the closing of the Reorganization, it is not practicable to separate the amounts of revenue and earnings of the Acquired Fund that have been included in the Surviving Fund's Statement of Operations since March 22, 2013.

5. Purchases and Sales of Securities
Purchases and sales of securities, excluding short-term investments, were as follows:

Fund	Purchases of Investment Securities	Sales of Investment Securities	Purchases of U.S. Government Agency Obligations	Sales of U.S. Government Agency Obligations
Value Line Premier Growth Fund, Inc.	$39,674,376	$58,797,318	$ —	$ —
The Value Line Fund, Inc.	8,190,659	24,430,107	—	—
Value Line Income and Growth Fund, Inc.	45,871,025	72,514,502	33,049,685	38,736,132
Value Line Larger Companies Fund, Inc.	14,937,961	40,117,920	—	—
Value Line Core Bond Fund*	30,832,806	13,532,506	18,652,139	40,689,173

* Period from February 1, 2013 to December 31, 2013.

6. Income Taxes
At December 31, 2013, information on the tax components of capital is as follows:

Fund	Cost of investments for tax purposes	Gross tax unrealized appreciation	Gross tax unrealized depreciation	Net tax unrealized appreciation (depreciation) on investments	Undistributed ordinary income	Undistributed long-term gain
Value Line Premier Growth Fund, Inc.	$207,410,240	$208,166,767	$(421,860)	$ 207,744,907	$ 61,037	$ 1,666,569
The Value Line Fund, Inc.	68,457,649	56,889,504	(59,355)	56,830,149	56,121	—
Value Line Income and Growth Fund, Inc.	262,790,014	79,242,189	(2,019,268)	77,222,921	162,848	3,102,111
Value Line Larger Companies Fund, Inc.	132,109,136	86,323,590	(16,006)	86,307,584	933,119	—
Value Line Core Bond Fund	85,295,569	1,075,489	(2,336,375)	(1,260,886)	—	—

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 ("the Act") was signed by the President of the United States of America. Under the Act, net capital losses recognized by the Funds after December 31, 2010 may get carried forward indefinitely, and retain their character as short-term and/or long term losses. Prior to this Act, pre-enactment net capital losses incurred by the Funds were carried forward for eight years and treated as short-term losses. The Act requires under the transition that post-enactment net capital losses are used before pre-enactment net capital losses.

As of December 31, 2013, the following Funds had a realized capital loss carryforward, for federal income tax purposes, available to be used to offset future realized capital gains:

Fund	Expiring December 31, 2016	Expiring December 31, 2017	Unlimited Short-Term Losses
Value Line Premier Growth Fund, Inc.	$ —	$ —	$—
The Value Line Fund, Inc.	1,132,225	41,718,238	—
Value Line Income and Growth Fund, Inc.	—	—	—
Value Line Larger Companies Fund, Inc.	—	35,132,762	—
Value Line Core Bond Fund	—	—	684,299

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Notes to Financial Statements (continued)

During the year ended December 31, 2013, the following Funds utilized capital loss carryforwards:

Fund	Amount
Value Line Premier Growth Fund, Inc.	$ —
The Value Line Fund, Inc.	9,219,454
Value Line Income and Growth Fund, Inc.	—
Value Line Larger Companies Fund, Inc.	12,204,530
Value Line Core Bond Fund*	—

* Period from February 1, 2013 to December 31, 2013.

To the extent that current or future capital gains are offset by capital losses, the Funds do not anticipate distributing any such gains to shareholders.

It is uncertain whether the Funds will be able to realize the benefits of the losses before they expire.

Net realized gain (loss) differs from financial statements and tax purposes primarily due to wash sales, contingent payment debt instruments, return of capital from investments in REITs, and investments in partnerships.

Permanent book-tax differences relating to the current year were reclassified within the composition of the net asset accounts.

A reclassification has been made on the Statements of Assets and Liabilities to increase/(decrease) undistributed net investment income, accumulated net realized gain, and additional paid-in capital for the Funds as follows:

Fund	Undistributed Net Investment Income (Loss)	Accumulated Net Realized Gains (Losses)	Additional Paid-In Capital
Value Line Premier Growth Fund, Inc.	$ 88,900	$ (88,900)	$—
The Value Line Fund, Inc.	(31,771)	31,769	2
Value Line Income and Growth Fund, Inc.	(697)	1,026	(329)
Value Line Larger Companies Fund, Inc.	(102,716)	102,843	(127)
Value Line Core Bond Fund	(5,250)	(5,894)	11,144

These reclassifications were primarily due to differing treatments of foreign currency gains/(losses) and litigation interest. Net assets were not affected by these reclassifications.

During the period ended December 31, 2013, as permitted under federal income tax regulations, the Value Line Core Bond Fund elected to defer $173,600 of post October short-term losses.

The tax composition of distributions paid to shareholders during fiscal 2013 and 2012, were as follows:

Year Ended December 31, 2013

Fund	Distributions Paid from Ordinary Income	Long-Term Capital Gain	Return of Capital	Total Distributions Paid
Value Line Premier Growth Fund, Inc.	$822,653	$26,840,247	$—	$27,662,900
The Value Line Fund, Inc.	526,843	—	—	526,843
Value Line Income and Growth Fund, Inc.	3,803,097	13,525,713	—	17,328,810
Value Line Larger Companies Fund, Inc.	1,253,220	—	—	1,253,220
Value Line Core Bond Fund*	893,166	—	155,298	1,048,464

* Period from February 1, 2013 to December 31, 2013.

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December 31, 2013

Fund	Year Ended December 31, 2012 Distributions Paid from Ordinary Income	Long-Term Capital Gain	Total Distributions Paid
Value Line Premier Growth Fund, Inc.	$2,146,661	$23,018,017	$ 25,164,678
The Value Line Fund, Inc.	—	—	—
Value Line Income and Growth Fund, Inc.	4,450,666	11,216,365	15,667,031
Value Line Larger Companies Fund, Inc.	1,087,423	—	1,087,423
Value Line Core Bond Fund	1,614,009	25,662	1,639,671

* Year ended January 31, 2013.

Fund	Year Ended January 31, 2012 Distributions Paid from Ordinary Income
Value Line Core Bond Fund	$ 1,950,884

7. Investment Advisory Fee, Service and Distribution Fees and Transactions With Affiliates

Advisory fees of $2,798,432, $807,293, $2,095,572, $1,458,201 and $382,486 for the Value Line Premier Growth Fund, Inc., The Value Line Fund, Inc., Value Line Income and Growth Fund, Inc., Value Line Larger Companies Fund, Inc., and Value Line Core Bond Fund, respectively, were paid or payable to the Adviser for the period ended December 31, 2013. For the year ended January 31, 2013, advisory fees of $237,606 were paid or payable to the Adviser for the Value Line Core Bond Fund. For the Value Line Premier Growth Fund, Inc. and Value Line Larger Companies Fund, Inc. advisory fees were computed at an annual rate of 0.75% of the daily net assets during the period. For The Value Line Fund, Inc. and Value Line Income and Growth Fund, Inc. advisory fees were computed at an annual rate of 0.70% of the first $100 million of the Fund’s average daily net assets plus 0.65% of the excess thereof. For the Value Line Core Bond Fund, for the period ended December 31, 2013, this was computed at an annual rate of 0.50% of the Fund’s average daily net assets during the period prior to any fee waivers, and for the year ended January 31, 2013, the Fund’s advisory fees were computed at an annual rate of 0.75% of the first $100 million of the Fund’s average daily net assets during the period and 0.50% on the average daily net assets in excess thereof prior to any fee waivers. The Funds advisory fees are paid monthly. The Adviser provides research, investment programs, and supervision of the investment portfolio and pays costs of administrative services, office space, equipment and compensation of administrative, bookkeeping, and clerical personnel necessary for managing the affairs of the Funds. The Adviser also provides persons, satisfactory to the Funds’ Board, to act as officers and employees of the Funds and pays their salaries. Effective June 1, 2010 and voluntarily renewed annually through January 31, 2013, the Adviser contractually agreed to waive 0.20% of the advisory fee for the Value Line Core Bond Fund. Fees waived amounted to $63,362 for the year ended January 31, 2013. Effective February 1, 2013, and voluntarily renewed annually through June 30, 2014, the Adviser contractually agreed to waive 0.10% of the advisory fee for the Value Line Core Bond Fund. The fees waived amounted to $76,530 for the period ended December 31, 2013. The Adviser has no right to recoup previously waived amounts.

The Funds have a Service and Distribution Plan (the "Plan"), adopted pursuant to Rule 12b-1 under the Investment Company Act of 1940, which compensates EULAV Securities LLC (the "Distributor") for advertising, marketing and distributing the Funds' shares and for servicing the Funds' shareholders at an annual rate of 0.25% of the Funds' average daily net assets. For the period ended December 31, 2013, fees amounting to $932,811, $291,282, $785,503, $486,089 and $191,271 before fee waivers for the Value Line Premier Growth Fund, Inc., The Value Line Fund, Inc., Value Line Income and Growth Fund, Inc., Value Line Larger Companies Fund, Inc., and Value Line Core Bond Fund, respectively, were accrued under this Plan. For the year ended January 31, 2013, fees amounting to $79,202 before fee waivers were accrued under this Plan for the Value Line Core Bond Fund. Effective May 1, 2009, and voluntarily renewed annually through July 31, 2013, the Distributor contractually agreed to waive The Value Line Fund, Inc.'s 12b-1 fee by 0.25%; effective August 1, 2013, the Distributor discontinued to waive The Value Line Fund, Inc.'s 12b-1 fee. Effective March 1, 2009, and voluntarily renewed annually, the Distributor contractually agreed to reduce the fee for the Value Line Income and Growth Fund, Inc. by 0.05%. Effective May 1, 2007, and voluntarily renewed annually through July 31, 2013, the Distributor contractually agreed to waive Value Line Larger Companies Fund, Inc.'s 12b-1 fee by 0.25%; effective August 1, 2013 and voluntarily renewed annually, the Distributor contractually agreed to waive the Value Line Larger Companies Fund, Inc.'s 12b-1 fee by 0.10%. Effective June 1, 2007 and voluntarily renewed annually through January 31, 2013, the Distributor contractually agreed to reduce the 12b-1 fee by 0.10% for the Value Line Core Bond Fund; effective February 1, 2013, and voluntarily renewed annually, the Distributor contractually agreed to reduce the 12b-1 fee by 0.05% for the Value Line Core Bond Fund. The Value Line Fund, Inc., Value Line Income and Growth Fund, Inc., Value Line Larger Companies Fund, Inc. and Value Line Core Bond Fund's fees waived amounted to $165,777, $156,915, $360,818, and $38,265, respectively, for the period ended December 31, 2013. For the year ended January 31, 2013, the Value Line Core Bond Fund's fees waived amounted to $31,681. The Distributor has no right to recoup previously waived amounts.

Notes to Financial Statements (continued)

Effective July 5, 2012, the Funds have a Sub-Transfer Agent Plan (the “sub TA plan”) which compensates financial intermediaries that provide sub-transfer agency and related services to investors that hold their Fund shares in omnibus accounts maintained by the financial intermediaries with the Funds. The sub-transfer agency fee, which may be paid directly to the financial intermediary or indirectly via the Distributor, is equal to the lower of (i) the aggregate amount of additional transfer agency fees and expenses that the Funds would otherwise pay to the transfer agent if each subaccount in the omnibus account maintained by the financial intermediary with the Funds were a direct account with the Funds and (ii) the amount by which the fees charged by the financial intermediary for including the Funds on its platform and providing shareholder, sub-transfer agency and related services exceed the amount paid under the Funds’ Plan with respect to each Fund’s assets attributable to shares held by the financial intermediary in the omnibus account. In addition, the amount of sub-transfer agency fees payable by the Fund’s to all financial intermediaries in the aggregate is subject to a maximum cap of 0.05% of each Fund’s average daily net assets. If the sub-transfer agency fee is paid to financial intermediaries indirectly via the Distributor, the Distributor does not retain any amount thereof and such fee otherwise reduces the amount that the Distributor is contractually obligated to pay to the financial intermediary. For the year ended December 31, 2013, fees amounting to $110,726, $7,527, $61,727 and $13,109 for the Value Line Premier Growth Fund, Inc., The Value Line Fund, Inc., Value Line Income and Growth Fund, Inc., and Value Line Larger Companies Fund, Inc., respectively, were paid under the sub TA plan.

Each Fund bears direct expenses incurred specifically on its behalf while common expenses of the Value Line Funds are allocated proportionately based upon each Fund’s respective net assets. The Funds bear all other costs and expenses.

Certain officers and a trustee of the Adviser are also officers and a director of the Funds. At December 31, 2013, the officers and directors of the Value Line Premier Growth Fund, Inc., The Value Line Fund, Inc., Value Line Income and Growth Fund, Inc., Value Line Larger Companies Fund, Inc., and Value Line Core Bond Fund as a group owned less than 1% of the outstanding shares of each Fund.

8. Other

The Value Line Income and Growth Fund, Inc. received notice that it has been named as a defendant in In re: Tribune Company Fraudulent Conveyance Litigation, Consol. MDL 11 MD 2296 (RJS), which includes two specific cases in which the Fund is named, Kirschner, as Litigation Trustee for the Tribune Litigation Trust v. Fitzsimone, et al., 12 CV 02652 (RJS) (The “Trustee Litigation”) and Deutsche Bank Trust Company Americas, in its Capacity as Successor Indenture Trustee for Certain Series of Senior Notes, et al. v. Adaly Opportunity Fund TD Securities Inc. c/o Adaly Investment Management Co., et al., No. 1:11-cv-04784-RJH (S.D.N.Y.) (the “Adaly Action”). The Adaly Action is part of a larger group of noteholder and individual creditor complaints, which were dismissed by the lower federal district court on September 23, 2013, but are now part of an appeal by counsel for some of the individual creditors. Both the Adaly Action and Trustee Litigation seek to recover alleged transfers received in connection with the purchase, repurchase or redemption of Tribune stock as a result of a 2007 leveraged buyout and tender offer. The alleged value of the proceeds received by the Fund is $490,522 (less than 1% of net assets) and the Fund will incur legal expenses in the defense of these actions. Management continues to assess the actions and has made no determination about the effect, if any, on the Fund’s net assets and results of operations.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Value Line Premier Growth Fund, Inc., The Value Line Fund, Inc., Value Line Income and Growth Fund, Inc., Value Line Larger Companies Fund, Inc. and Value Line Core Bond Fund:

In our opinion, the accompanying statements of assets and liabilities, including the schedules of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Value Line Premier Growth Fund, Inc., The Value Line Fund, Inc., Value Line Income and Growth Fund, Inc., Value Line Larger Companies Fund, Inc. and Value Line Core Bond Fund (the "Funds") at December 31, 2013, the results of their operations, the changes in their net assets and the financial highlights for the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
New York, New York

February 24, 2014

Fund Expenses (unaudited)

Example

As a shareholder of the Funds, you incur ongoing costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in each Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (July 1, 2013 through December 31, 2013).

Actual Expenses

The first line in the table below for each Fund provides information about actual account values and actual expenses. You may use this information, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line for each Fund under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line in the table for each Fund provides information about hypothetical account values and hypothetical expenses based on the Funds' actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Funds' actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees, or exchange fees. Therefore, the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. In addition, if transactional costs were included, your costs would have been higher.

	Beginning account value 7/1/13	Ending account value 12/31/13	Expenses paid during period 7/1/13 thru 12/31/13*
Actual			
Value Line Premier Growth Fund, Inc.	$ 1,000.00	$ 1,160.24	$ 6.82
The Value Line Fund, Inc.	1,000.00	1,180.96	6.61
Value Line Income and Growth Fund, Inc.	1,000.00	1,106.36	5.91
Value Line Larger Companies Fund, Inc.	1,000.00	1,192.01	6.19
Value Line Core Bond Fund	1,000.00	996.55	6.44
Hypothetical (5% return before expenses)			
Value Line Premier Growth Fund, Inc.	1,000.00	1,018.89	6.38
The Value Line Fund, Inc.	1,000.00	1,019.14	6.12
Value Line Income and Growth Fund, Inc.	1,000.00	1,019.59	5.67

Value Line Larger Companies Fund, Inc.	1,000.00	1,019.56	5.70
Value Line Core Bond Fund	1,000.00	1,018.75	6.51

* Expenses are equal to the Funds' annualized expense ratio of 1.25%, 1.20%, 1.11%, 1.12%, and 1.28%, respectively, multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period. These expense ratios may differ from the expense ratios shown in the Financial Highlights

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Federal Tax Notice (unaudited)

Each Fund designates the following amounts distributed during the fiscal year ended December 31, 2013, if any, as capital gain dividends, dividends eligible for the corporate dividends received deduction and/or qualified dividend income:

Fund	% of Qualifying Dividend Income	% of Dividends Eligible for the Corporate Dividends Received Deduction	Long-Term Capital Gains
Value Line Premier Growth Fund, Inc.	100%	100%	$ 26,840,247
The Value Line Fund, Inc.	100	100	—
Value Line Income and Growth Fund, Inc.	100	100	13,525,713
Value Line Larger Companies Fund, Inc.	100	100	—
Value Line Core Bond Fund	—	—	—

The Funds file their complete schedule of portfolio holdings with the Securities and Exchange Commission (“SEC”) for the first and third quarters of each fiscal year on Form N-Q. The Funds’ Form N-Q is available on the SEC’s website at http://www.sec.gov and may be reviewed and copied at the SEC’s Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities, and information regarding how the Funds voted these proxies for the 12-month period ended June 30 is available through the Funds’ website at http://www.vlfunds.com and on the SEC’s website at http://www.sec.gov. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-243-2729.

Management of the Funds

MANAGEMENT INFORMATION

The business and affairs of the Funds are managed by the Funds' officers under the direction of the Board. The following table sets forth information on each Director and Officer of the Funds. Each Director serves as a director or trustee of each of the 10 Value Line Funds. Each Director serves until his or her successor is elected and qualified.

Name, Address, and Year of Birth	Position (Since)	Principal Occupation During the Past 5 Years
Interested Director* Mitchell E. Appel 1970 Other Directorships: Forethought Variable Insurance Trust, since 2013	Director (2010)	President of each of the Value Line Funds since June 2008; Chief Financial Officer of the Distributor since April 2008 and President since February 2009; President of the Adviser since February 2009, Trustee since December 2010 and Treasurer since January 2011; Chief Financial Officer of Value Line, Inc. ("Value Line") from April 2008 to December 2010 and from September 2005 to November 2007; Director from February 2010 to December 2010.
Non-Interested Directors		
Joyce E. Heinzerling 500 East 77th Street New York, NY 10162 1956 Other Directorships: None	Director (2008)	President, Meridian Fund Advisers LLC (consultants) since 2009; General Counsel, Archery Capital LLC (private invest- ment fund) until 2009.
Francis C. Oakley 54 Scott Hill Road Williamstown, MA 01267 1931 Other Directorships: None	Director (2000)	Professor of History, Williams College (1961-2002). Professor Emeritus since 2002; President Emeritus since 1994 and President (1985-1994); Chairman (1993-1997) and Interim President (2002-2003) of the American Council of Learned Societies. Trustee since 1997 and Chairman of the Board since 2005, National Humanities Center.
David H. Porter 5 Birch Run Drive Saratoga Springs, NY 12866 1935 Other Directorships: None	Director (1997)	Professor, Skidmore College since 2008; Visiting Professor of Classics, Williams College (1999-2008); President Emeritus, Skidmore College since 1999 and President (1987-1998).

Paul Craig Roberts 169 Pompano St. Panama City Beach, FL 32413 1939 Other Directorships: None	Director (1983)**	Chairman, Institute for Political Economy.
Nancy-Beth Sheerr 1409 Beaumont Drive Gladwyne, PA 19035 1949 Other Directorships: None	Director (1996)	Senior Financial Consultant, Veritable L.P. (Investment Advisor until December 2013).
Daniel S. Vandivort 59 Indian Head Road Riverside, CT 06878 1954 Other Directorships: None	Director (2008) Chairman of Board (2010)	President, Chief Investment Officer, Weiss, Peck and Greer/Robeco Investment Management (2005-2007); Managing Director, Weiss, Peck and Greer (1995-2005).

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(continued)

Name, Address, and Year of Birth	Position (Since)	Principal Occupation During the Past 5 Years
Officers		
Mitchell E. Appel 1970	President (2008)	President of each of the Value Line Funds since June 2008; Chief Financial Officer of the Distributor since April 2008 and President since February 2009; President of the Adviser since February 2009, Trustee since December 2010 and Treasurer since January 2011; Chief Financial Officer of Value Line from April 2008 to December 2010 and from September 2005 to November 2007; Director from February 2010 to December 2010.
Michael J. Wagner 1950	Chief Compliance Officer (2009)	Chief Compliance Officer of Value Line Funds since June 2009; President of Northern Lights Compliance Service, LLC (formerly Fund Compliance Services, LLC (2006 – present)) and Senior Vice President (2004 – 2006) and President and Chief Operations Officer (2003 – 2006) of Gemini Fund Services, LLC; Director of Constellation Trust Company until 2008.
Emily D. Washington 1979	Treasurer and Secretary (2008)	Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer) of each of the Value Line Funds since 2008 and Secretary since 2010; Secretary of the Adviser since 2011.

* Mr. Appel is an “interested person” as defined in the Investment Company Act of 1940 by virtue of his position with the Adviser and Distributor.

** Mr. Roberts has served as a trustee of the Value Line Core Bond Fund since 1986.

Unless otherwise indicated, the address for each of the above officers is c/o Value Line Funds, 7 Times Square, New York, NY 10036.

The Funds’ Statement of Additional Information (SAI) includes additional information about the Funds’ Directors and is available, without charge, upon request by calling 1-800-243-2729 or on the Funds’ website, www.vlfunds.com.

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The Value Line Family of Funds

In 1950, Value Line started its first mutual fund. Since then, knowledgeable investors have been relying on the Value Line Funds to help them build their financial futures. Over the years, Value Line Funds has evolved into what we are today – a diversified family of no-load mutual funds with a wide range of investment objectives – ranging from small, mid and large capitalization equities to fixed income. We also provide strategies that effectively combine both equities and fixed income, diligently taking into account the potential risk and reward of each investment.

* Only available through the purchase of Guardian Investor, a tax deferred variable annuity, or ValuePlus, a variable life insurance policy.

** Formerly known as the Value Line Aggressive Income Trust.

*** Formerly known as the Value Line Emerging Opportunities Fund, Inc.

For more complete information about any of the Value Line Funds, including charges and expenses, send for a prospectus from EULAV Securities LLC, 7 Times Square, New York, New York 10036-6524 or call 1-800-243-2729, 9am – 5pm CST, Monday – Friday, or visit us at www.vlfunds.com. Read the prospectus carefully before you invest or send money.

Item 2. Code of Ethics

(a) The Registrant has adopted a Code of Ethics that applies to its principal executive officer, and principal financial officer and principal accounting officer.

(f) Pursuant to item 12(a), the Registrant is attaching as an exhibit a copy of its Code of Ethics that applies to its principal executive officer, and principal financial officer and principal accounting officer.

Item 3. Audit Committee Financial Expert.

(a)(1)The Registrant has an Audit Committee Financial Expert serving on its Audit Committee.
(2) The Registrant's Board has designated Daniel S. Vandivort, a member of the Registrant's Audit Committee, as the Registrant's Audit Committee Financial Expert. Mr. Vandivort is an independent director who has served as President, Chief Investment Officer to Weis, Peck and Greer/Robeco Investment Management. He has also previously served as Managing Director for Weis, Peck and Greer (1995-2005). A person who is designated as an "audit committee financial expert" shall not make such person an "expert" for any purpose, including without limitation under Section 11 of the Securities Act of 1933 or under applicable fiduciary laws, as a result of being designated or identified as an audit committee financial expert. The designation or identification of a person as an audit committee financial expert does not impose on such person any duties, obligations, or liabilities that are greater than the duties, obligations, and liabilities imposed on such person as a member of the audit committee and Board of Trustees in the absence of such designation or identification.

Item 4. Principal Accountant Fees and Services

(a) Audit Fees 2013 - $39,435
Audit Fees 2012 - $31,271

(b) Audit-Related fees – None.

(c) Tax Preparation Fees 2013 - $13,915
Tax Preparation Fees 2012 - $14,340

(d) All Other Fees – None

(e) (1) Audit Committee Pre-Approval Policy. All services to be performed for the Registrant by PricewaterhouseCoopers LLP must be pre-approved by the audit committee. All services performed were pre-approved by the committee.

(e) (2) Not applicable.

(f) Not applicable.

(g) Aggregate Non-Audit Fees 2013 - $1,200
Aggregate Non-Audit Fees 2012 - $2,400

(h) Not applicable.

Item 5. Audit Committee of Listed Registrants

Not Applicable.

Item 6. Investments

Not Applicable

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies

Not Applicable

Item 8. Portfolio Managers of Closed-End Management Investment Companies

Not Applicable

Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers

Not Applicable

Item 10 Submission of Matters to a Vote of Security Holders

Not Applicable

Item 11. Controls and Procedures

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in rule 30a-2(c) under the Act (17 CFR 270.30a-2(c)) based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this report, are appropriately designed to ensure that material information relating to the registrant is made known to such officers and are operating effectively.

(b) The registrant’s principal executive officer and principal financial officer have determined that there have been no significant changes in the registrant’s internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including corrective actions with regard to significant deficiencies and material weaknesses.

Item 12. Exhibits

(a) Code of Business Conduct and Ethics for Principal Executive and Senior Financial Officers attached hereto as Exhibit 100.COE.

(b) (1) Certification pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2) attached hereto as Exhibit 99.CERT.

(2) Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 attached hereto as Exhibit 99.906.CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

By: /s/ Mitchell E. Appel
Mitchell E. Appel, President

Date: /s/ March 11, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Mitchell E. Appel
Mitchell E. Appel, President, Principal Executive Officer

By: /s/ Emily D. Washington
Emily D. Washington, Treasurer, Principal Financial Officer

Date: March 11, 2014