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

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2008

or

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

For the transition period from ______________________________________ to ___________________________________

Commission File Number: 0-11306

VALUE LINE, INC.
(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	13-3139843 (I.R.S. Employer Identification No.)
220 East 42nd Street, New York, New York (Address of principal executive offices)	10017-5891 (Zip Code)

(212) 907-1500
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

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

Class	Outstanding at October 31, 2008
Common stock, $.10 par value	9,981,600 Shares

VALUE LINE INC.

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

	October 31, 2008 (unaudited)	Apr. 30, 2008
Assets		
Current Assets:		
Cash and cash equivalents (including short term investments of $38,405 and $8,159, respectively)	$ 39,082	$ 8,955
Trading securities	17,091	19,857
Securities available for sale	50,589	97,043
Accounts receivable, net of allowance for doubtful accounts of $49, and $107, respectively	2,527	2,733
Receivable from affiliates	1,941	2,445
Prepaid expenses and other current assets	992	1,048
Deferred income taxes	759	155
Total current assets	112,981	132,236
Long term assets		
Property and equipment, net	4,616	4,709
Capitalized software and other intangible assets, net	807	1,008
Total long term assets	5,423	5,717
Total assets	$ 118,404	$ 137,953
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 4,002	$ 5,135
Accrued salaries	1,461	1,471
Dividends payable	3,993	2,995
Accrued taxes payable	26	129
Unearned revenue	23,185	26,610
Deferred income taxes	0	7,839
Total current liabilities	32,667	44,179
Long term liabilities		
Unearned revenue	5,974	5,920
Total long term liabilities	5,974	5,920

Shareholders' Equity:		
Common stock, $.10 par value; authorized 30,000,000 shares; issued 10,000,000 shares	1,000	1,000
Additional paid-in capital	991	991
Retained earnings	78,572	70,954
Treasury stock, at cost (18,400 shares on 10/31/08 and 4/30/08)	(354)	(354)
Accumulated other comprehensive income, net of tax	(446)	15,263
Total shareholders' equity	79,763	87,854
Total liabilities and shareholders' equity	$ 118,404	$ 137,953

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

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Part I - Financial Information
Item 1. Financial Statements

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

	Three months ended October 31, 2008	2007	Six months ended October 31, 2008	2007
Revenues:				
Investment periodicals and related publications	$ 9,956	$ 10,860	$ 20,293	$ 21,823
Licensing fees	1,239	1,792	2,920	3,445
Investment management fees & services	7,132	8,458	15,327	16,643
Total revenues	18,327	21,110	38,540	41,911
Expenses:				
Advertising and promotion	3,328	3,478	6,569	7,074
Salaries and employee benefits	4,809	4,524	9,666	9,133
Production and distribution	1,459	1,611	2,989	3,274
Office and administration	2,465	2,081	5,585	4,049
Total expenses	12,061	11,694	24,809	23,530
Income from operations	6,266	9,416	13,731	18,381
Income from securities transactions, net	10,084	885	10,716	1,586
Income before income taxes	16,350	10,301	24,447	19,967
Provision for income taxes	5,808	3,942	8,843	7,665
Net income	$ 10,542	$ 6,359	$ 15,604	$ 12,302
Earnings per share, basic & fully diluted	$ 1.05	$ 0.64	$ 1.56	$ 1.23
Weighted average number of common shares	9,981,600	9,981,600	9,981,600	9,981,600

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

Part I - Financial Information
Item 1. Financial Statements

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

	For the six months ended	
	October 31, 2008	October 31, 2007
Cash flows from operating activities:		
Net income	$ 15,604	$ 12,302
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	621	901
Gains on sales of trading securities and securities available for sale	(9,389)	(7)
Unrealized losses on trading securities	197	41
Deferred income taxes	(69)	(14)
Changes in assets and liabilities:		
Proceeds from sales of trading securities	9,026	-
Purchases of trading securities	(6,583)	(3,926)
(Decrease) in unearned revenue	(3,371)	(2,570)
Increase/(decrease) in deferred charges	110	(12)
(Decrease) in accounts payable and accrued expenses	(1,243)	(1,341)
Decrease in accrued salaries	(10)	(220)
Decrease in accrued taxes payable	(103)	-
Decrease in prepaid expenses and other current assets	125	244
Decrease/(increase) in accounts receivable	206	(341)
Decrease/(increase) in receivable from affiliates	504	(163)
Total adjustments	(9,979)	(7,408)
Net cash provided by operations	5,625	4,894
Cash flows from investing activities:		
Purchases and sales of securities classified as available for sale:		
Proceeds from sales of fixed income securities	14,669	5,137
Proceeds from sales of equity securities	37,755	-
Purchase of fixed income securities	(20,598)	(9,270)
Purchases of equity securities	(9)	(8)
Acquisition of property and equipment	(150)	(176)
Expenditures for capitalized software	(177)	(32)
Net cash provided by/(used in) investing activities	31,490	(4,349)
Cash flows from financing activities:		

Dividends paid		(6,988)		(5,989)
Net cash used in financing activities		(6,988)		(5,989)
Net increase/(decrease) in cash and cash equivalents		30,127		(5,444)
Cash and cash equivalents at beginning of year		8,955		20,605
Cash and cash equivalents at end of period	$	39,082	$	15,161

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

Part I - Financial Information
Item 1. Financial Statements

Value Line, Inc.

Consolidated Condensed Statement of Changes in Shareholders' Equity

For the Six Months Ended October 31, 2008

(in thousands, except share amounts)

(unaudited)

	Common stock Number of shares	Amount	Additional paid-in capital	Treasury Stock	Comprehensive income	Retained earnings	Accumulated Other Comprehensive income	Total
Balance at April 30, 2008	9,981,600	$ 1,000	$ 991	$ (354)		$ 70,954	$ 15,263	$ 87,854
Comprehensive income								
Net income					$ 15,604	15,604		15,604
Other comprehensive income, net of tax:								
Change in unrealized gains on securities, net of taxes					(15,709)		(15,709)	(15,709)
Comprehensive income					$ (105)			
Dividends declared						(7,986)		(7,986)
Balance at October 31, 2008	9,981,600	$ 1,000	$ 991	$ (354)		$ 78,572	$ (446)	$ 79,763

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

Part I - Financial Information
Item 1. Financial Statements

Value Line, Inc.

Consolidated Condensed Statement of Changes in Shareholders' Equity

For the Six Months Ended October 31, 2007

(in thousands, except share amounts)

(unaudited)

	Common stock Number of shares	Amount	Additional paid-in capital	Treasury Stock	Comprehensive income	Retained earnings	Accumulated Other Comprehensive income	Total
Balance at April 30, 2007	9,981,600	$ 1,000	$ 991	$ (354)		$ 57,383	$ 16,552	$ 75,572
Comprehensive income								
Net income					$ 12,302	12,302		12,302
Other comprehensive income, net of tax:								
Change in unrealized gains on securities, net of taxes					3,444		3,444	3,444
Comprehensive income					$ 15,746			
Dividends declared						(5,989)		(5,989)
Balance at October 31, 2007	9,981,600	$ 1,000	$ 991	$ (354)		$ 63,696	$ 19,996	$ 85,329

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

Value Line, Inc.
Notes to Consolidated Condensed Financial Statements

Note 1-Organization and Summary of Significant Accounting Policies:

The interim consolidated condensed financial statements of Value Line, Inc., together with its subsidiaries (collectively referred to as the "Company"), are unaudited. In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of normal recurring accruals except as noted below) considered necessary for a fair presentation. This report should be read in conjunction with the financial statements and footnotes contained in the Company's annual report on Form 10-K, dated July 17, 2008 for the fiscal year ended April 30, 2008. Results of operations covered by this report may not be indicative of the results of operations for the entire year.

Value Line, Inc. ("VLI") is incorporated in the State of New York. The Company's primary businesses are producing investment related periodical publications and data, licensing certain Value Line trademarks and Value Line proprietary ranking system information to third parties under written agreements for use in third party managed and marketed investment products, providing investment management services to the Value Line Funds, institutions and individual accounts and providing distribution, marketing, and administrative services to the Value Line Funds. The name "Value Line" as used to describe the Company, its products, and its subsidiaries, is a registered trademark of the Company.

Principles of consolidation:

The consolidated condensed financial statements include the accounts of the Company and all of its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition:

Depending upon the product, subscription fulfillment is available in print, via internet access, and CD-ROM. The length of a subscription varies by product and offer received by the subscriber. Generally, subscriptions are available as trial subscriptions, annual subscriptions and/or multi-year subscriptions. Subscription revenues are recognized on a straight line basis over the life of the subscription. Accordingly, the amount of subscription fees to be earned by fulfilling subscriptions after the date of the balance sheet is shown as unearned revenue within current and long-term liabilities.

Licensing revenues are derived from licensing certain Value Line trademarks and Value Line proprietary ranking system information to third parties under written agreements for use in selecting securities for third party marketed products, including unit investment trusts, annuities and exchange traded funds. Value Line earns an asset based licensing fee as specified in the individual licensing agreements. Revenue is recognized monthly over the term of the agreement and will fluctuate as the market value of the underlying portfolio increases or decreases in value.

Investment management fees consist of management fees from the Value Line Mutual Funds ("Value Line Funds"), and from asset management clients. Investment management fees for the mutual funds are earned on a monthly basis as services are performed and the fee is calculated based on average daily net assets of the mutual funds in accordance with each fund's advisory agreement. Investment management fees for the asset management accounts are earned on a monthly basis as services are performed and the fee is calculated on assets in accordance with each of the management agreements (see note 6).

Service and distribution fees are received from the Value Line Funds in accordance with service and distribution plans under rule 12b-1 of the Investment Company Act of 1940. The plans are compensation plans, which means that the distributor’s fees under the plans are payable without regard to actual expenses incurred by the distributor, and therefore the distributor may earn a profit under the plan. Expenses incurred by Value Line Securities, Inc. ("VLS"), the distributor of the Value Line Funds, include payments to securities dealers, banks, financial institutions and other organizations (including an allocation of VLI expenses), that provide distribution, marketing, and administrative services with respect to the distribution of the mutual funds’ shares. Service and distribution fees are received on a monthly basis and calculated on the average daily net assets of the respective mutual fund in accordance with each fund prospectus (see note 6).

Valuation of Securities:

The Company's securities classified as available for sale consist of shares of the Value Line Funds and/or government debt securities accounted for in accordance with Statement of Financial Accounting Standards No.115, "Accounting for Certain Investments in Debt and Equity Securities". The securities available for sale and trading securities reflected in the consolidated condensed financial statements at fair value are valued at market and unrealized gains and losses on securities available for sale, net of applicable taxes, are reported as a separate component of Shareholders' Equity. Realized gains and losses on sales of the securities available for sale are recorded in earnings on trade date and are determined on the identified cost method.

The Company classifies its securities available for sale as current assets. It does so to properly reflect its liquidity and to recognize the fact that it has assets available for sale to fully satisfy its current liabilities should the need arise.

Market valuation of securities listed on a securities exchange is based on the closing sales prices on the last business day of each month. Valuation of open-end mutual fund shares is based upon the publicly quoted net asset value of the shares. The market value of the Company's fixed maturity government debt obligations are determined utilizing publicly quoted market prices.

Effective for fiscal 2009, the Company adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements (“FAS 157"). In accordance with FAS 157, fair value is defined as the price that the Company would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 – quoted prices in active markets for identical investments

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

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

The valuation techniques used by the Company to measure fair value during the six months ended October 31, 2008 consisted exclusively of quoted prices and other observable inputs.

The following is a summary of the inputs used as of October 31, 2008 in valuing the Company’s investments carried at fair value:

			(In Thousands)	
Valuation Inputs	Total Investments	Cash Equivalents	Investments in Trading Securities	Investments in Securities Available for Sale
Level 1 - Quoted Prices	$ 38,405	$ 38,405	-	$ 0
Level 2 - Other Significant Observable Inputs	$ 67,680		$ 17,091	50,589
Level 3 - Significant Unobservable Inputs	-	-	-	-
Total	$ 106,085	$ 38,405	$ 17,091	$ 50,589

The Company had no other financial instruments including futures, forwards and swap contracts. For the period ended October 31, 2008, there were no Level 3 investments. The Company does not have any liabilities subject to FAS 157.

Advertising expenses:

The Company expenses advertising costs as incurred.

Income Taxes:

The Company computes its income tax provision in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been reflected in the consolidated condensed financial statements. Deferred tax liabilities and assets are determined based on the differences between the book values and the tax bases of particular assets and liabilities, using tax rates currently in effect for the years in which the differences are expected to reverse.

In July 2006, the Financial Accounting Standards Board issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" (the "Interpretation" or "FIN 48"). The Interpretation establishes for all entities, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. The Interpretation is effective for fiscal years beginning after December 15, 2006, and is to be applied to all open tax years as of the date of effectiveness. Management has reviewed the tax positions for the years still subject to tax audit under the statute of limitations, evaluated the implications of FIN 48, and determined that there is no impact to the Company's financial statements.

Earnings per share:

Earnings per share are based on the weighted average number of shares of common stock and common stock equivalents outstanding during each year.

Cash and Cash Equivalents:

For purposes of the consolidated condensed Statements of Cash Flows, the Company considers all cash held at banks and short term liquid investments with an original maturity of less than three months to be cash and cash equivalents. As of October 31, 2008 and April 30, 2008, cash equivalents included $38,405,000 and $8,159,000, respectively, invested in the Value Line Cash Fund.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2-Investments:

Securities held by the Company are classified as Trading Securities and Available-for-Sale Securities. All securities held in VLS, as a broker/dealer, are classified as trading securities. Securities held by the Company and its other subsidiaries, are classified as available-for-sale securities.

Trading Securities:

Trading securities held by the Company at October 31, 2008 had an aggregate cost of $17,472,000 and a market value of $17,091,000. Trading securities held by the Company at April 30, 2008 had an aggregate cost of $20,042,000 and a market value of $19,857,000. The proceeds from sales of trading securities during the first six months of fiscal 2009 were $9,027,000 and related net realized trading losses amounted to $126,000. There were no sales and no realized trading gains or losses during the first six months of fiscal year 2008. The net increases in unrealized losses of $197,000 and $41,000 for the period ended October 31, 2008 and 2007, respectively, were included in the Consolidated Condensed Statement of Income.

Securities Available-for-Sale:

Equity Securities:

As of April 30, 2008, the aggregate cost of the equity securities classified as available for sale, which consist of investments in the Value Line Funds, was $28,149,000 and the market value was $51,870,000. The Company sold its portfolio of equity securities subsequent to April 30, 2008 and did not hold any equity securities as of October 31, 2008. The total gains for equity securities with net gains included in Accumulated Other Comprehensive Income on the Consolidated Condensed Balance Sheet were $23,972,000, net of deferred taxes of $8,438,000, as of April 30, 2008. The total losses for equity securities with net losses included in Accumulated Other Comprehensive Income on the Consolidated Condensed Balance Sheet were $251,000, net of deferred tax benefit of $89,000, as of April 30, 2008.

The proceeds from sales of equity securities during the six months ended October 31, 2008 were $37,755,000 and the related net realized capital gain was $9,600,000. There were no sales and no realized gains or losses on equity securities, for which unrealized gains and losses were included in Accumulated Other Comprehensive Income as of October 31, 2008. The increase in gross unrealized gains on equity securities classified as available for sale of $5,340,000, net of deferred taxes of $1,880,000, were included in Shareholders' Equity at October 31 2007.

Government Debt Securities:

Government debt securities consist of federal, state, and local government securities within the United States. The aggregate cost and fair value at October 31, 2008 for government debt securities classified as available for sale were as follows:

	(In Thousands)		
Maturity	Historical Cost	Fair Value	Gross Unrealized Holding Losses
Due in less than 2 years	$ 41,164	$ 40,633	$ (531)
Due in 2 - 5 years	10,023	9,956	(67)
Total investment in government debt securities	$ 51,187	$ 50,589	$ (598)

The aggregate cost and fair value at April 30, 2008 for government debt securities classified as available for sale were as follows:

	(In Thousands)		
Maturity	Historical Cost	Fair Value	Gross Unrealized Holding Losses
Due in less than 2 years	$ 24,261	$ 23,921	$ (340)
Due in 2 - 5 years	21,079	21,252	173
Total investment in government debt securities	$ 45,340	$ 45,173	$ (167)

The unrealized losses of $598,000 and $167,000 in government debt securities net of deferred income tax benefits of $152,000 and $59,000, respectively, were included in Accumulated Other Comprehensive Income on the Consolidated Condensed Balance Sheets as of October 31, 2008 and April 30, 2008, respectively.

The average yield on the Government debt securities at October 31, 2008 and April 30, 2008 was 2.33% and 2.91%, respectively.

Proceeds from sales of government debt securities classified as available for sale during the six months ended October 31, 2008 and 2007 were $14,669,000 and $5,137,000, respectively. The company recognized total capital losses net of capital gains of $85,000 and a capital gain of $7,000 on the sales of government debt securities during the six months ended October 31, 2008 and 2007, respectively.

For the six months ended October 31, 2008 and 2007, income from securities transactions also included $156,000 and $461,000 of dividend income and $1,388,000 and $1,152,000 of interest income. There was no interest expense during the first quarter of fiscal 2009 or 2008.

Note 3-Supplementary Cash Flow Information:

Cash payments for income taxes were $8,946,000 and $8,054,000 for the six months ended October 31, 2008 and 2007, respectively.

Note 4-Employees' Profit Sharing and Savings Plan:

Substantially all employees of the Company and its subsidiaries are members of the Value Line, Inc. Profit Sharing and Savings Plan (the "Plan"). In general, this is a qualified, contributory plan which provides for a discretionary annual Company contribution which is determined by a formula based on the salaries of eligible employees as defined in the Plan. The estimated profit sharing plan contribution, which is included as an expense in salaries and employee benefits in the Consolidated Condensed Statement of Income, was $515,000 and $480,000 for the six months ended October 31, 2008 and 2007, respectively.

Note 5-Comprehensive Income:

Financial Accounting Standards No. 130, "Reporting Comprehensive Income", requires the reporting of comprehensive income in addition to net income from operations. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that otherwise would not be recognized in the calculation of net income.

At October 31, 2008 and October 31, 2007, the Company held equity securities and/or U.S. Government debt securities that are classified as Available for Sale on the Consolidated Condensed Balance Sheets. The change in valuation of these securities, net of deferred income taxes, has been recorded in Accumulated Other Comprehensive Income in the Company's Consolidated Condensed Balance Sheets.

The components of comprehensive income that are included in the Statement of Changes in Shareholders' Equity are as follows:

	(in thousands)		
	Before Tax Amount	Tax (Expense) or Benefit	Net of Tax Amount
Six months ended October 31, 2008			
Unrealized Gains on Securities:			
Decrease in Unrealized Holding Gains arising during the period	$ (14,637)	$ 5,153	$ (9,484)
Add: Reclassification adjustments for losses realized in net income	99	(35)	64

Less: Reclassification adjustments for gains realized in net income		(9,614)		3,325		(6,289)
Change in Other Comprehensive Income	$	(24,152)	$	8,443	$	(15,709)
Six months ended October 31, 2007						
Unrealized Gains on Securities:						
Increase in Unrealized Holding Gains arising during the period	$	5,314	$	(1,870)	$	3,444
Change in Other Comprehensive Income	$	5,314	$	(1,870)	$	3,444

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Note 6-Related Party Transactions:

The Company's subsidiary, EULAV Asset Management LLC ("EULAV") acts as investment adviser and manager for fourteen open-end investment companies, the Value Line Funds. EULAV earns investment management fees based upon the average daily net asset values of the respective Value Line Funds. Service and distribution fees are received from the Value Line Funds in accordance with service and distribution plans under rule 12b-1 of the Investment Company Act of 1940. The plans are compensation plans, which means that the distributor's fees under the plans are payable without regard to actual expenses incurred by the distributor, and therefore the distributor may earn a profit under the plan. Expenses incurred by VLS include payments to securities dealers, banks, financial institutions and other organizations which provide distribution, marketing, and administrative services (including payments by VLS to VLI for allocated compensation and administration expenses) with respect to the distribution of the mutual funds' shares. Service and distribution fees are received on a monthly basis and calculated on the average daily net assets of the respective mutual fund in accordance with each fund's prospectus.

For the six months ended October 31, 2008 and 2007, investment management fees and 12b-1 service and distribution fees amounted to $14,825,000 and $16,032,000, respectively, which included fee waivers for certain of the Value Line Funds. These amounts included service and distribution fees of $3,362,000 and $3,537,000 earned by VLS in fiscal years 2009 and 2008, respectively. The related receivables from the funds for investment management fees and service and distribution fees included in Receivables from affiliates were $1,905,000 and $2,557,000 at October 31, 2008 and April 30, 2008, respectively.

For the six months ended October 31, 2008 and 2007, total management fee waivers were $101,000 and $117,000 respectively, and service and distribution fee waivers were $1,658,000 and $2,042,000, respectively. EULAV and VLS, have no right to recoup the previously waived amounts of management fees and 12b-1 fees.

As of October 31, 2008, the Company had $38,405,000 invested in the Value Line Cash Fund ("Cash Fund"), which represents approximately 1.4% of total assets of the Value Line Funds and 16% of the Cash Fund. Purchases and redemptions routinely occur in the Value Line Cash Fund as part of business operations.

For the six months ended October 31, 2008 and 2007, the Company was reimbursed $653,000 and $739,000, respectively, for payments it made on behalf of and services it provided to Arnold Bernhard & Co., Inc. (the "Parent"). At October 31, 2008, Receivables from affiliates included a Receivable from the Parent of $35,000. At April 30, 2008, Receivables from affiliates were reduced by a Payable to the Parent in the amount of $130,000. These transactions are in accordance with the tax sharing arrangement described in Note 7.

From time to time, the Parent has purchased additional shares of the Company in the market when and as the Parent has determined it to be appropriate. As stated several times in the past, the public is reminded that the Parent may make additional purchases from time to time in the future. The Parent owns approximately 86.5% of the issued and outstanding common stock of the Company. For the six months ended October 31, 2008, the Parent made no purchases of Company's shares.

Note 7-Federal, State and Local Income Taxes:

The Company computes its income tax provision in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes".

The provision for income taxes includes the following:

	Six months ended October 31,

	2008	2007
	(in thousands)	
Current:		
Federal	$ 7,945	$ 5,964
State and local	1,048	1,733
	8,993	7,697
Deferred:		
Federal	(126)	(30)
State and local	(24)	(2)
	(150)	(32)
Provision for income taxes	$ 8,843	$ 7,665

Deferred income taxes are provided for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The tax effect of temporary differences giving rise to the Company's deferred tax (liability)/assets are primarily a result of unrealized gains on the Company's available for sale securities portfolios.

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

	Six months ended October 31, 2008	2007
	(in thousands)	
Tax expense at the U.S. statutory rate	$ 8,556	$ 6,988
Increase (decrease) in tax expense from:		
State and local income taxes, net of federal income tax benefit	666	1,125
Effect of tax exempt income and dividend exclusion	(383)	(365)
Other, net	4	(83)
Provision for income taxes	$ 8,843	$ 7,665

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

Note 8-Business Segments:

The Company operates two reportable business segments: (1) Investment Periodicals, Publishing & Licensing and (2) Investment Management. The Investment Periodicals, Publishing & Licensing segment produces investment related periodical publications (retail and institutional) in both print and electronic form, and receives licensing fees for Value Line proprietary ranking system information and Value Line trademarks. The Investment Management segment provides advisory services to the Value Line Funds, as well as institutional and individual accounts. The segments are differentiated by the products and services they offer. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company allocates all revenues and expenses, except for depreciation and income from securities transactions related to corporate assets, between the two reportable segments.

Disclosure of Reportable Segment Profit and Segment Assets (in thousands)

	Six months ended October 31, 2008		
	Investment Periodicals, Publishing & Licensing	Investment Management	Total
Revenues from external customers	$ 23,213	$ 15,327	$ 38,540
Intersegment revenues	8	-	8
Income from securities transactions	(11)	175	164
Depreciation and amortization	594	23	617
Segment profit from operations	8,535	5,200	13,735
Segment assets	9,881	26,681	36,562
Expenditures for segment assets	327	-	327

	Six months ended October 31, 2007		
	Investment Periodicals,	Investment	Total

	Publishing & Licensing	Management	
Revenues from external customers	$ 25,268	$ 16,643	$ 41,911
Intersegment revenues	50	-	50
Income from securities transactions	165	645	810
Depreciation and amortization	857	36	893
Segment profit from operations	10,603	7,786	18,389
Segment assets	16,737	86,403	103,140
Expenditures for segment assets	208	-	208

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Reconciliation of Reportable Segment Revenues, Operating Profit and Assets

	(in thousands)	
	2008	2007
Revenues		
Total revenues for reportable segments	$ 38,548	$ 41,961
Elimination of intersegment revenues	(8)	(50)
Total consolidated revenues	$ 38,540	$ 41,911
Segment profit		
Total profit for reportable segments	13,899	19,199
Add: Income from securities transactions related to corporate assets	10,552	776
Less: Depreciation related to corporate assets	(4)	(8)
Income before income taxes	$ 24,447	$ 19,967
Assets		
Total assets for reportable segments	36,562	103,140
Corporate assets	81,842	33,307
Consolidated total assets	$ 118,404	$ 136,447

Note 9-Contingencies:

By letter dated June 15, 2005, the staff of the Northeast Regional Office of the Securities and Exchange Commission ("SEC") informed the Company that it was conducting an informal inquiry primarily regarding the execution of portfolio transactions by VLS for the Value Line Funds. The Company has supplied numerous documents to the SEC in response to its requests and various employees and former employees of the Company have provided testimony to the SEC. On May 8, 2008 the SEC issued a formal order of private investigation regarding whether the VLS' brokerage charges and related expense reimbursements during periods prior to 2005 were excessive and whether adequate disclosure was made to the SEC and the boards of directors and shareholders of the Value Line Funds. Thereafter, certain senior officers of the Company asserted their constitutional privilege not to provide testimony. Management believes that the SEC has completed the fact finding phase of its investigation and the Company will seek to settle this matter with the SEC. Management cannot determine the effect that the investigation will have on the Company's financial statements although it believes that any settlement is likely to be material.

On September 3, 2008, the Company was served with a derivative shareholder's suit filed in New York County Supreme Court naming all of the Company's Directors and alleging breach of fiduciary duty and related allegations, all arising from the above SEC matter. The complaint seeks return of remuneration by the Directors and other remedies.

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

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This report contains statements that are predictive in nature, depend upon or refer to future events or conditions (including certain projections and business trends) accompanied by such phrases as "believe", "estimate", "expect", "anticipate", "will", "intend" and other similar or negative expressions, that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected as a result of certain risks and uncertainties, including but not limited to the following:

- dependence on key personnel;
- maintaining revenue from subscriptions for the Company's products;
- protection of intellectual property rights;
- changes in market and economic conditions;
- fluctuations in the Company's assets under management due to broadly based changes in the values of equity and debt securities, redemptions by investors and other factors;
- dependence on Value Line Funds for investment management and related fees;
- competition in the fields of publishing, licensing and investment management;
- the impact of government regulation on the Company's business and the uncertainties of litigation and regulatory proceedings;
- terrorist attacks; and
- other risks and uncertainties, including but not limited to the risks described in Item 1A, "Risk Factors" of the Company's annual report on Form 10-K for the year ended April 30, 2008, and other risks and uncertainties from time to time.

Any forward-looking statements are made only as of the date hereof, and the Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

Results of Operations

The second fiscal quarter, which ended on October 31, 2008, was a difficult one domestically, and, in particular, within the financial services industry. The economy, which appeared to be in an orderly slowdown as the period began in August, quickly deteriorated into a serious recession, marked by a full-blown crisis in banking, widening pessimism among consumers and businesses, and a meltdown in the stock market which is impacting the entire asset management industry. According to the Investment Company Institute, ("ICI") the combined assets of the mutual funds in the United States decreased by $1.087 trillion, or 10.2 percent, to $9.6 trillion in October alone. For the calendar year through October, net new sales are negative as redemptions outweigh new sales for the mutual fund industry. Within the Company's Investment Management and Licensing businesses, we have experienced significant asset erosion, similar to other money managers, which has impacted the Company's revenues and operating income. However, despite the decline in assets under management, we have not seen the account closures that many other fund families have experienced. As compared to a year ago, the total number of shareholder accounts in the Value Line Funds (exclusive of the variable annuity accounts) has slightly increased by 1%.

For the six months ended October 31, 2008 the Company's net income of $15,604,000 or $1.56 per share was $3,302,000 or 27% above net income of $12,302,000 or $1.23 per share for the six months ended October 31, 2007. Net income for the second quarter ended October 31, 2008 of $10,542,000 or $1.05 per share was $4,183,000 or 66% above net income of $6,359,000 or $0.64 per share for the second quarter of the prior fiscal year. Operating income of $13,731,000 for the six months ended October 31, 2008 was $4,650,000 or 25% below operating income of $18,381,000 last fiscal year. Operating income of $6,266,000 for the second quarter ended October 31, 2008 was $3,150,000 or 33% below operating income of $9,416,000 for the second quarter of the prior fiscal year. The

Company's income from securities transactions of $10,716,000 for the six months ended October 31, 2008 was 576% above last year's income of $1,586,000. Shareholders' equity of $79,763,000 at October 31, 2008 was 7% lower than shareholders' equity of $85,329,000 at October 31, 2007.

Operating revenues which consist of investment periodicals and related publications revenues, licensing fees, and investment management fees and services all suffered declines for the quarter and fiscal year to date:

	Three Months Ended October 31,			Six Months Ended October 31,		
(in thousands)	2008	2007	Percentage Change FY 09 vs. 08	2008	2007	Percentage Change FY 09 vs. 08
Investment periodicals and related publications	$ 9,956	$ 10,860	-8.3%	$ 20,293	$ 21,823	-7.0%
Licensing fees	$ 1,239	$ 1,792	-30.9%	$ 2,920	$ 3,445	-15.2%
Investment management fees and services	$ 7,132	$ 8,458	-15.7%	$ 15,327	$ 16,643	-7.9%
Total Operating Revenues	$ 18,327	$ 21,110	-13.2%	$ 38,540	$ 41,911	-8.0%

Investment periodicals and related publications revenues

The investment periodicals and related publications revenues were down $1,530,000 or 7% for the six months ended October 31, 2008 as compared to the first six months of the prior fiscal year. While the Company continues to attract new subscribers through various marketing channels, primarily direct mail and the Internet, total product line circulation continues to decline. Factors that have contributed to the decline in the investment periodicals and related publications revenues include the increasing amount of competition in the form of free or low cost investment research on the Internet and research provided by brokerage firms at no cost to their clients. The unfolding recession and turmoil in the markets have also contributed to the decline in subscriptions as individuals cut back on many forms of discretionary spending.

Within investment periodicals and related publications are subscription revenues derived from print and electronic products. The following chart illustrates the year to year change in the revenues associated with print and electronic subscriptions.

Six Months Ended October 31, (in thousands)	2008	2007	Percentage Change FY 09 vs. 08
Print publication revenues	$ 13,917	$ 15,788	-11.9%
Electronic publication revenues	$ 6,376	$ 6,035	5.7%
Total Investment periodicals and related publications revenue	$ 20,293	$ 21,823	-7.0%
Unearned Revenues (Short and Long Term)	$ 29,159	$ 31,930	-8.7%

For the six months ended October 31, 2008 print publication revenues decreased $1,871,000 or 11.9% below last fiscal year for the reasons described above. Electronic publications revenues grew by $341,000 or 5.7% for the six months ended October 31, 2008. The electronic revenues are broken down into institutional accounts and retail subscribers. For the six months ended October 31, 2008, institutional revenues increased $659,000 or 24%, while revenues from retail subscribers were down $318,000 or 10% as compared to the six months ended October 31, 2007. The decrease in electronic retail publications revenues is primarily attributable to the decrease in circulation within the Company’s software products. Circulation of The Value Line Investment Analyzer decreased 14%, which resulted in a $229,000 decline in revenues from this product. The increase in institutional revenues is a result of expanding the sales force on the institutional side of the business.

Licensing revenues

Licensing fee revenues have decreased $525,000 or 15% for the six months ended October 31, 2008 as compared to the six months ended October 31, 2007. As of October 31, 2008, total third party sponsored assets attributable to the licensing business represent $3.6 billion in various products. The broad and deep declines throughout the equity markets have impacted assets attributable to the licensing business and resulted in lower asset based fees paid to the Company. While the third party sponsors continue to raise assets the broad market decline has eroded those assets as well as previous appreciation in existing assets. The Company is in discussion with new sponsors to increase products offered, but no new agreements have been signed in fiscal 2009. The Company believes the growth of the business is dependent upon the desire of third party marketers to use the Value Line trademarks and proprietary research for their products, signing new licensing agreements, and the marketplace's acceptance of new products. As stated in the past, Value Line believes it was an early entrant into this new market seven years ago. Today this market has significantly broadened as a result of product diversification and growth of the use of indexes by portfolio managers, and the Company and its third party sponsors face more competition in the marketplace.

Investment management fees and distribution services revenues

The financial markets have experienced unprecedented volatility and declines over the past year some of which have not been seen in decades. Equity indexes such as the DJIA, NASDAQ, and S&P 500 are down 33%, 40%, and 37% respectively from October 31, 2007 to October 31, 2008. Such market pressures have resulted in a contraction in total assets within the Value Line Funds of 34.4% as compared to a year ago. The following tables illustrate the total fund assets as of October 31, 2008 as compared to October 31, 2007.

October 31, (in thousands)	2008	2007	Percentage Change FY 09 vs. 08
Equity funds	$ 2,212,011	$ 3,656,441	-39.5%
Fixed income funds	$ 231,834	$ 278,999	-16.9%
Money market fund	$ 241,624	$ 159,810	51.2%
Total net assets	$ 2,685,469	$ 4,095,250	-34.4%

As a result of the decline in assets under management, investment management fees and distribution services revenues for the six months ended October 31, 2008 were $1,316,000 or 8% below the prior fiscal year. Management fees for the first six months of fiscal year 2009 were down $1,032,000 or 8% as compared to the first six months of fiscal year 2008. There was a net decrease of $175,000 or 5% in distribution services revenues. During the period, voluntary and contractual fee waivers exist for certain of the Value Line Funds. For the six months ended October 31, 2008 and 2007, 12b-1 fee waivers were $1,658,000 and $2,042,000, respectively. For the six months ended October 31, 2008 and 2007, total management fee waivers were $101,000 and $117,000, respectively. The Company's subsidiaries, EULAV Asset Management and Value Line Securities, have no right to recoup the previously waived management fees and 12b-1 fees from the Value Line Funds. Separately managed accounts revenues decreased $109,000 or 18% for the six months ended October 31, 2008 as compared to the six months ended October 31, 2007 due to market decline in the portfolios.

Of the 14 funds managed by the Company, shares of Value Line Strategic Asset Management Trust ("SAM") and Value Line Centurion Fund are available to the public only through the purchase of certain variable annuity and variable life insurance contracts issued by The Guardian Insurance & Annuity Company, Inc. ("GIAC"). The table below shows the assets in the equity funds broken down into the two channels the equity funds are available.

October 31, (in thousands)	2008	2007	Percentage Change FY 09 vs. 08
Equity fund assets sold through GIAC	$ 521,810	$ 948,673	-45.0%
All other equity fund assets	$ 1,690,201	$ 2,707,768	-37.6%
Total Equity fund net assets	$ 2,212,011	$ 3,656,441	-39.5%

As of October 31, 2008, 80% of the equity funds, excluding SAM and Centurion, had four or five star ratings by Morningstar, Inc. The largest distribution channel for the Value Line Funds remains the fund supermarket platforms such as Charles Schwab & Co., Inc. The Company believes the platforms will continue to grow as a percentage of assets under management as more shareholders come into the Value Line Funds through intermediaries rather than by opening direct accounts.

The Value Line fixed income fund assets (excluding the Value Line Cash Fund), represent 9% of total fund assets at October 31, 2008 and are down 16.9% from the previous year. Cash Fund assets represent 9% of the total fund assets at October 31, 2008 and have increased 51% from the previous year. The increase in the Value Line Cash Fund is due to purchases by Arnold Bernhard & Co., Inc. ("Parent") in the fourth quarter of last fiscal year and purchases by the Company in the second quarter ended October 31, 2008. The Parent has made no representations to the Company as to how long the cash will remain in the Value Line Cash Fund. The increase in the Cash Fund assets by the Company is due to the sale in the second quarter of equity investments and will remain in the Cash Fund until redeployed by the Company.

Expenses within the Company are categorized into Advertising and promotion, Salaries and employee benefits, Production and distribution, and Office and administration. Operating expenses of $24,809,000 for the six months ended October 31, 2008 were $1,279,000 or 5% above operating expenses of $23,530,000 last fiscal year. Operating expenses of $12,061,000 for the second quarter ended October 31, 2008 were $367,000 or 3% above operating expenses of $11,694,000 for the second quarter of the prior fiscal year.

Advertising and promotion

	Three Months Ended October 31,			Six Months Ended October 31,		
(in thousands)	2008	2007	Percentage Change FY 09 vs. 08	2008	2007	Percentage Change FY 09 vs. 08
Advertising and promotion	$ 3,328	$ 3,478	-4.3%	$ 6,569	$ 7,074	-7.1%

Advertising and promotion expenses for the six months ended October 31, 2008 decreased $505,000 as compared to the first six months ended October 31, 2007. Costs associated with direct mail decreased $568,000 or 31% below last fiscal year, due to an ongoing targeted reduction in the overall number of pieces mailed year to year. Print advertising promoting the Value Line Funds in select markets increased by $239,000 for the six months ended October 31, 2008. While supermarket platform expenses were level with the prior year, the platform expenses are expected to be lower in the upcoming months due to the decline in fund assets under management.

Salaries and employee benefits

	Three Months Ended October 31,			Six Months Ended October 31,		
(in thousands)	2008	2007	Percentage Change FY 09 vs. 08	2008	2007	Percentage Change FY 09 vs. 08
Salaries and employee benefits	$ 4,809	$ 4,524	6.3%	$ 9,666	$ 9,133	5.8%

Over the past several years, the Company has increased productivity by combining the roles and responsibilities and by selective outsourcing. Some duplication of effort has been eliminated and certain tasks, such as some data entry, have been outsourced to third party vendors that the Company believes can provide better controls and results at a favorable cost. As of October 31, 2008, the Company employed 205 employees comparable to 203 employees last fiscal year. Salaries and employee benefits are higher by $533,000 from the previous year due to cost of living increases to staff and additional hiring of new salesmen in Institutional Sales to expand the department.

Production and distribution

	Three Months Ended October 31,			Six Months Ended October 31,		
(in thousands)	2008	2007	Percentage Change FY 09 vs. 08	2008	2007	Percentage Change FY 09 vs. 08
Production and distribution	$ 1,459	$ 1,611	-9.4%	$ 2,989	$ 3,274	-8.7%

Production and distribution expenses for the six months ended October 31, 2008 were $285,000 below expenses for the six months ended October 31, 2007. Amortized software costs decreased $187,000 below last fiscal year due to a decrease in expenditures for capitalized projects. In addition, the decline in expenses was due to volume reductions in paper, printing and mailing that resulted primarily from a decrease in circulation of the print products. Partially offsetting the savings during the six months ended October 31, 2008 was an approximate 8% increase in the cost of paper mid fiscal year 2008 and an increase in postage rates. The Company anticipates paper prices will increase again in the fiscal year as raw material prices increase. The Company continues to look at purchasing and delivery options in an effort to reduce costs of the print products to offset raw material price increases.

Office and administration

	Three Months Ended October 31,			Six Months Ended October 31,		
(in thousands)	2008	2007	Percentage Change FY 09 vs. 08	2008	2007	Percentage Change FY 09 vs. 08
Office and administration	$ 2,465	$ 2,081	18.5%	$ 5,585	$ 4,049	37.9%

Office and administration expenses for the six months ended October 31, 2008 were $1,536,000 above expenses for the six months ended October 31, 2007. Professional fees significantly increased as compared to fiscal year 2008 primarily as a result of the SEC proceeding. Professional fees fluctuate year to year based on the level of operations, litigation or regulatory activity requiring the use of outside professionals.

Income from securities transactions, net

During the six months ended October 31, 2008 the Company's income from securities transactions, net, of $10,716,000 was $9,130,000 higher than income from securities transactions, net, of $1,586,000 during the six months ended October 31, 2007. Income from securities transactions, net, includes dividend and interest income of $1,544,000 at October 31, 2008 that was $70,000 or 4% lower than income of $1,614,000 for the six months ended October 31, 2007 due to a decline in interest rates. Capital gains, net of capital losses during the six months ended October 31, 2008 were $9,192,000, which include a realized capital gain of $9,600,000 from the sale of equity securities within the Company's portfolio. This compares to capital losses, net of capital gains of $34,000 during the six months ended October 31, 2007.

Liquidity and Capital Resources

The Company had working capital of $80,314,000 as of October 31, 2008 and $85,872,000 as of October 31, 2007. Cash and short-term securities totaled $106,762,000 as of October 31, 2008 and $121,179,000 as of October 31, 2007.

Cash from operating activities

The Company's cash flow from operations of $5,625,000 for the six months ended October 31, 2008 was 15% above cash flow from operations of $4,894,000 for the six months ended October 31, 2007. The primary change was the timing of purchases and maturity of fixed income government debt securities within the company's trading portfolio and a lower effective tax rate on the Company's investment income.

Cash from investing activities

The Company's cash inflow from investing activities is $31,490,000 for the six months ended October 31, 2008 compared to cash outflow from investing activities of $4,349,000 for the six months ended October 31, 2007. The significant increase in cash inflows is a result of sales in the equity portfolio and the maturity of fixed income securities during the six months of the fiscal year 2009.

Cash from financing activities

The Company's net cash outflow from financing activities was $6,988,000 that represents a quarterly dividend of $.30 per share paid in May 2008 for the last quarter of fiscal 2008 and $.40 per share paid for the first quarter of fiscal 2009. At the July 2008 board meeting, the board approved a quarterly dividend of $.40 per share, an increase of $.10 per share, paid in August 2008. Therefore, fiscal 2009 net cash outflow from financing activities was 17% higher than cash outflow from financing activities of $5,989,000 in the prior fiscal year.

Management believes that the Company's cash and other liquid asset resources used in its business together with the future cash flows from operations will be sufficient to finance current and forecasted operations. Management does not anticipate any borrowing in fiscal 2009.

Critical Accounting Estimates and Policies

The Company's Critical Accounting Estimates and Policies have not changed from those reported in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Form 10-K for the fiscal year ended April 30, 2008.

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market Risk Disclosures

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

Interest Rate Risk

The Company's strategy has been to acquire debt securities with low credit risk. Despite this strategy management recognizes and accepts the possibility that losses may occur. To limit the price fluctuation in these securities from interest rate changes, the Company's management invests primarily, if not exclusively in short-term obligations maturing in less than 5 years.

The fair values of the Company's fixed maturity investments will fluctuate in response to changes in market interest rates. Increases and decreases in prevailing interest rates generally translate into decreases and increases in fair values of those instruments. Additionally, fair values of interest rate sensitive instruments may be affected by prepayment options, relative values of alternative investments, and other general market conditions.

The following table summarizes the estimated effects of hypothetical increases and decreases in interest rates on assets that are subject to interest rate risk. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risks. The hypothetical changes in market interest rates do not reflect what could be deemed best or worst case scenarios. Variations in market interest rates could produce significant changes in the timing of repayments due to prepayment options available. For these reasons, actual results might differ from those reflected in the table. Dollars are in thousands.

		Estimated Fair Value after Hypothetical Change in Interest Rates (bp = basis points)			
Fixed Income Securities	Fair Value	6 mos. 50bp increase	6 mos. 50bp decrease	1 yr. 100bp increase	1 yr. 100bp decrease
As of October 31, 2008 Investments in securities with fixed maturities	$ 67,677	$ 66,553	$ 67,046	$ 66,049	$ 66,729
As of April 30, 2008 Investments in securities with fixed maturities	$ 65,030	$ 63,947	$ 64,753	$ 63,146	$ 64,250

Management regularly monitors the maturity structure of the Company's investments in debt securities in order to maintain an acceptable price risk associated with changes in interest rates.

Item 4. CONTROLS AND PROCEDURES

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

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

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

Part II - Other Information

Item 1. Legal Proceedings

Refer to Note 9 (Contingencies) of the consolidated condensed financial statements for discussion of legal proceedings.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A – Risk Factors in the Company's Annual Report on Form 10-K for the year ended April 30, 2008.

Item 6. Exhibits

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

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

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

VALUE LINE, INC.

Signatures

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

Value Line, Inc.
(Registrant)

Date: December 15, 2008	By:	/s/Jean Bernhard Buttner Jean Bernhard Buttner Chairman & Chief Executive Officer
Date: December 15, 2008	By:	/s/Mitchell E. Appel Mitchell E. Appel Chief Financial Officer

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3,925

4,130

Non-interest income

760

696

689

906

Non-interest expense

4,392

4,157

4,359

4,581

Income before income tax expense

429

543

255

455

Provision for income tax

169

210

89

167

Net income

$
260

$
333

$
166

$
288

Basic earnings per share

$
0.05

$
0.06

$
0.03

$
0.06

Diluted earnings per share

$
0.05

$
0.06

$
0.03

$
0.06

Dividends paid

$
—

$
0.02

$
—

$
—

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Risk When Interest Rates Change. The rates of interest we earn on assets and pay on liabilities generally are established contractually for a period of time. Market interest rates change over time and are not predictable or controllable. Accordingly, our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our assets and liabilities. Like other financial institutions, our interest income and interest expense are affected by general economic conditions and policies of regulatory authorities, including the monetary policies of the Federal Reserve. The risk associated with changes in interest rates and our ability to adapt to these changes is known as interest rate risk and is our most significant market risk.

How We Measure Our Risk of Interest Rate Changes. As part of our attempt to manage our exposure to changes in interest rates and comply with applicable regulations, we monitor our interest rate risk through several means including through the use of third party reporting software. In monitoring interest rate risk we continually analyze and manage assets and liabilities based on their payment streams and interest rates, the timing of their maturities, and their sensitivity to actual or potential changes in market interest rates.

In order to manage the potential for adverse effects of material and prolonged increases in interest rates on our results of operations, we adopted asset and liability management policies to better align the maturities and re-pricing terms of our interest earning assets and interest bearing liabilities. These policies are implemented by our Asset and Liability Management Committee. The Asset and Liability Management Committee is comprised of members of the Bank's senior management and the Bank's Board of Directors. The Asset and Liability Management Committee establishes guidelines for and monitors the volume and mix of our assets and funding sources, taking into account relative costs and spreads, interest rate sensitivity and liquidity needs. The Committee's objectives are to manage assets and funding sources to produce results that are consistent with liquidity, cash flow, capital adequacy, growth, risk and profitability goals for the Bank. The Asset and Liability Management Committee meets on a regularly scheduled basis to review, among other things, economic conditions and interest rate outlook, current and projected liquidity needs and capital position, anticipated changes in the volume and mix of assets and liabilities and interest rate risk exposure limits versus current projections pursuant to net present value of portfolio equity analysis. At each meeting, the Committee recommends strategy changes, as appropriate, based on this review. The Committee is responsible for reviewing and reporting on the effects of the policy implementations and strategies to the Bank's Board of Directors on a regularly scheduled basis.

In order to manage our assets and liabilities and achieve desired levels of liquidity, credit quality, cash flow, interest rate risk, profitability and capital targets, we have focused our strategies on:

- originating shorter-term secured consumer and commercial loans;
- managing our funding needs by utilizing core deposits, institutional certificates of deposits and borrowings as appropriate to extend terms and lock in fixed interest rates;
- reducing non-interest expense and managing our efficiency ratio by implementing technologies to enhance customer service and increase employee productivity;
- realigning supervision and control of our branch network by modifying their configuration, staffing, locations and reporting structure to focus resources on our most productive markets;
- managing our exposure to changes in interest rates, including, but not limited to the sale of longer term fixed rate consumer loans. In September 2014, the bank sold approximately $7.6 million in fixed rate longer term consumer real estate loans to lessen our exposure to changes in interest rates. Subsequent to the end of the fiscal year, the bank sold an additional $8.1 million in fixed rate longer term consumer real estate loans. Additional loan sales may occur in the future if the analysis proves advantageous to the Bank; and
- originating balloon mortgage loans with a term of 7 years or less to minimize the impact of sudden rate changes.

At times, depending on the level of general interest rates, the relationship between long- and short-term interest rates, market conditions and competitive factors, the Asset and Liability Management Committee may determine to increase the Bank's interest rate risk position somewhat in order to maintain or improve its net interest margin.

The following table sets forth, at September 30, 2014 (the most recent date available), an analysis of our interest rate risk as measured by the estimated changes in Economic Value of Equity (EVE) resulting from an immediate and permanent shift in the yield curve (up 300 basis points and down 100 basis points). As of September 30, 2014, due to the current level of interest rates, EVE estimates for decreases in interest rates greater than 100 basis points are not meaningful.

Change in Interest Rates in Basis Points ("bp") Rate Shock in Rates (1)	Economic Value of Equity (EVE)			EVE Ratio (EVE as a % of Assets)	
	Amount	Change	% Change	EVE Ratio	Change
	(Dollars in thousands)				
+300 bp	$22,109	$(50,199)	(69)%	4.37%	(812) bp
+200 bp	42,829	(29,479)	(41)%	8.04%	(445)
+100 bp	59,966	(12,342)	(17)%	10.75%	(174)
0 bp	72,308	—	—%	12.49%	—
-100 bp	78,457	6,149	9%	13.19%	70

(1) Assumes an immediate and parallel shift in the yield curve at all maturities.

Our overall interest rate sensitivity is demonstrated by net interest income shock analysis which measures the change in net interest income in the event of hypothetical changes in interest rates. This analysis assesses the risk of change in our net interest income over the next 12 months in the event of an immediate and parallel shift in the yield curve (up 300 basis points and down 100 basis points). The table below presents our projected change in net interest income for the various rate shock levels at September 30, 2014 (the most recent date available).

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Change in Interest Rates in Basis Points ("bp") Rate Shock in Rates (1)	Dollar Change in Net Interest Income (in thousands)	Percentage Change in Net Interest Income
+300 bp	$(2,183)	(10.06)%
+200 bp	(1,050)	(4.84)%
+100 bp	(476)	(2.19)%
0 bp	(291)	(1.34)%
-100 bp	(380)	(1.75)%

(1) Assumes an immediate and parallel shift in the yield curve at all maturities.

As shown above, at September 30, 2014, the effect of an immediate 300 bp increase in interest rates would decrease our net interest income by $2,183 or 10.06%. The effect of an immediate 100 bp reduction in rates would decrease our net interest income by $380.

The assumptions used to measure and assess interest rate risk include interest rates, loan prepayment rates, deposit decay (runoff) rates, and the market values of certain assets under differing interest rate scenarios. Actual values may differ from those projections set forth above should market conditions vary from the assumptions used in preparing the analysis. Further, the computations do not contemplate any actions we may undertake in response to changes in interest rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT BY CITIZENS COMMUNITY BANCORP, INC.’S MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining an effective system of internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. The Company’s system of internal control over financial reporting is designed to provide reasonable assurance to the Company’s management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. There are inherent limitations in the effectiveness of any system of internal control over financial reporting, including the possibility of human error and circumvention or overriding of controls. Accordingly, even an effective system of internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the polices or procedures may deteriorate.

Management assessed the Company’s systems of internal control over financial reporting as of September 30, 2014. This assessment was based on criteria for effective internal control over financial reporting described in Internal Control – Integrated Framework Issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that as of September 30, 2014, the Company maintained effective internal control over financial reporting based on those criteria.

CITIZENS COMMUNITY BANCORP, INC.
December 8, 2014
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Shareholders, Audit Committee and Board of Directors
Citizens Community Bancorp, Inc. and Subsidiary
Eau Claire, WI

We have audited the accompanying consolidated balance sheets of Citizens Community Bancorp, Inc. and Subsidiary (the "company") as of September 30, 2014 and 2013, and the related consolidated statements of income, other comprehensive income (loss), changes in stockholders' equity and cash flows for the years ended September 30, 2014, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 consolidated financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of its internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Citizens Community Bancorp, Inc. and Subsidiary as of September 30, 2014 and 2013 and the results of their operations and cash flows for the years ended September 30, 2014, 2013 and 2012, in conformity with U.S. generally accepted accounting principles.

/s/ Baker Tilly Virchow Krause, LLP
Minneapolis, MN
December 8, 2014

CITIZENS COMMUNITY BANCORP, INC.
Consolidated Balance Sheets
September 30, 2014 and September 30, 2013
(in thousands, except share data)

	September 30, 2014	September 30, 2013
Assets		
Cash and cash equivalents	$11,434	$17,601
Other interest bearing deposits	245	1,988
Investment securities (at fair value of $70,997 and $79,695)	70,974	79,695
Non-marketable equity securities, at cost	5,515	3,300
Loans receivable	470,366	440,863
Allowance for loan losses	(6,506)	(6,180)
Loans receivable, net	463,860	434,683
Office properties and equipment, net	3,725	4,835
Accrued interest receivable	1,478	1,469
Intangible assets	161	218
Foreclosed and repossessed assets, net	1,050	1,028
Other assets	11,373	9,704
TOTAL ASSETS	$569,815	$554,521
Liabilities and Stockholders’ Equity		
Liabilities:		
Deposits	$449,767	$447,398
Federal Home Loan Bank advances	58,891	50,000
Other liabilities	3,864	2,938
Total liabilities	512,522	500,336
Stockholders’ equity:		
Common stock—$0.01 par value, authorized 30,000,000; 5,167,061 and 5,154,891 shares issued and outstanding, respectively	52	51
Additional paid-in capital	54,257	54,116
Retained earnings	4,049	2,473
Unearned deferred compensation	(223)	(169)
Accumulated other comprehensive loss	(842)	(2,286)
Total stockholders’ equity	57,293	54,185
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$569,815	$554,521

See accompanying notes to audited consolidated financial statements.

CITIZENS COMMUNITY BANCORP, INC.
Consolidated Statements of Operations
Years Ended September 30, 2014, 2013 and 2012
(in thousands, except per share data)

	2014	2013	2012
Interest and dividend income:			
Interest and fees on loans	$22,612	$23,201	$25,579
Interest and dividends on investments	1,421	1,374	1,506
Total interest and dividend income	24,033	24,575	27,085
Interest expense:			
Interest on deposits	3,615	4,791	5,362
Interest on borrowed funds	660	521	1,229
Total interest expense	4,275	5,312	6,591
Net interest income before provision for loan losses	19,758	19,263	20,494
Provision for loan losses	1,910	3,143	4,440
Net interest income after provision for loan losses	17,848	16,120	16,054
Non-interest income:			
Total fair value adjustments and other-than-temporary impairment	(78)	(1,412)	461
Portion of loss recognized in other comprehensive income loss (gain) (before tax)	—	615	(1,793)
Net (loss) gain on sale of available for sale securities	(168)	552	243
Net loss on available for sale securities	(246)	(245)	(1,089)
Service charges on deposit accounts	1,964	1,820	1,529
Loan fees and service charges	904	768	621
Other	794	708	611
Total non-interest income	3,416	3,051	1,672
Non-interest expense:			
Salaries and related benefits	9,287	9,068	8,502
Occupancy	2,631	2,493	2,453
Office	1,499	1,223	1,191
Data processing	1,531	1,657	1,499
Amortization of core deposit intangible	57	56	209
Advertising, marketing and public relations	370	233	190
FDIC premium assessment	409	522	693
Professional services	552	707	1,187
Other	2,098	1,530	1,435
Total non-interest expense	18,434	17,489	17,359
Income before provision for income tax	2,830	1,682	367
Provision for income taxes	1,047	635	161
Net income attributable to common stockholders	$1,783	$1,047	$206
Per share information:			
Basic earnings	$0.35	$0.20	$0.04
Diluted earnings	$0.34	$0.20	$0.04
Cash dividends paid	$0.04	$0.02	$—

See accompanying notes to audited consolidated financial statements.

CITIZENS COMMUNITY BANCORP, INC.
Consolidated Statements of Other Comprehensive Income (Loss)
Years ended September 30, 2014, 2013 and 2012
(in thousands, except per share data)

	2014	2013	2012
Net income attributable to common stockholders	$1,783	$1,047	$206
Other comprehensive income (loss), net of tax:			
Securities available for sale			
Net unrealized gains (losses) arising during period	1,509	(2,793)	823
Reclassification adjustment for (losses) gains included in net income	(101)	332	146
Change for realized losses on securities available for sale for other-than-temporary impairment (OTTI) write-down	47	478	799
Unrealized gains (losses) on securities	1,455	(1,983)	1,768
Defined benefit plans:			
Amortization of unrecognized prior service costs and net (losses) gains	(11)	49	198
Total other comprehensive income (loss), net of tax	1,444	(1,934)	1,966
Comprehensive income (loss)	$3,227	$(887)	$2,172

Reclassifications out of accumulated other comprehensive income (loss) for the twelve months ended September 30, 2014 were as follows:

Details about Accumulated Other Comprehensive Income (Loss) Components	Amounts Reclassified from Accumulated Other Comprehensive Income (Loss) (1)	Affected Line Item on the Statement of Operations
Unrealized gains and losses		
Sale of securities	$(168)	Net (loss) gain on sale of available for sale securities
Realized losses on securities available for sale for OTTI write-down	(78)	Total fair value adjustments and other-than-temporary impairment
	(246)	
	98	Provision for income taxes
Total reclassifications for the period	$(148)	Net income attributable to common shareholders

(1) Amounts in parentheses indicate decreases to profit/loss.

See accompanying notes to audited consolidated financial statements.

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CITIZENS COMMUNITY BANCORP, INC.
Consolidated Statement of Changes in Stockholders' Equity
Years Ended September 30, 2014, 2013 and 2012
(in thousands, except Shares)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Unearned Deferred Compensation	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, October 1, 2011	5,133,570	$51	$53,934	$1,323	$ (102)	$ (2,318)	52,888
Net income				206			206
Other comprehensive income, net of tax						1,966	1,966
Forfeiture of unvested shares - 520 shares	(520)						—
Common stock awarded under recognition and retention plan - 2,500 shares	2,500		14		(14)		—
Stock option expense			21				21
Amortization of restricted stock					22		22
Balance, September 30, 2012	5,135,550	$51	$53,969	$1,529	$ (94)	$ (352)	$ 55,103
Net income				1,047			1,047
Other comprehensive loss, net of tax						(1,934)	(1,934)
Forfeiture of unvested shares - 503 shares	(503)						—
Surrender of vested shares - 639 shares	(639)		(4)				(4)
Common stock awarded under recognition and retention plan - 20,483 shares	20,483		120		(120)		—
Stock option expense			31				31
Amortization of restricted stock					45		45
Cash dividends ($0.02 per share)				(103)			(103)
Balance, September 30, 2013	5,154,891	$51	$54,116	$2,473	$ (169)	$ (2,286)	$ 54,185
Net income				1,783			1,783
Other comprehensive income, net of tax						1,444	1,444
Surrender of vested shares - 2,830 shares	(2,830)		(22)				(22)
Common stock awarded under the equity	15,000	1	120		(120)		1

incentive plan							
Stock option expense			43				43
Amortization of restricted stock					66		66
Cash dividends ($0.04 per share)				(207)			(207)
Balance, September 30, 2014	5,167,061	$52	$54,257	$4,049	$ (223)	$ (842)	$ 57,293

See accompanying notes to audited consolidated financial statements.

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CITIZENS COMMUNITY BANCORP, INC.
Consolidated Statements of Cash Flows
Years Ended September 30, 2014, 2013 and 2012
(in thousands, except per share data)

	2014	2013	2012
Cash flows from operating activities:			
Net income attributable to common stockholders	$1,783	$1,047	$206
Adjustments to reconcile net income to net cash provided by operating activities:			
Net amortization of premium/discount on securities	1,024	1,008	988
Depreciation	1,116	1,079	1,043
Provision for loan losses	1,910	3,143	4,440
Net realized loss (gain) on sale of securities	168	(552)	(243)
Other-than-temporary impairment on mortgage-backed securities	78	797	1,332
Amortization of core deposit intangible	57	56	209
Amortization of restricted stock	66	45	22
Stock based compensation expense	43	31	21
Loss on sale of office properties	323	168	134
Benefit (provision) for deferred income taxes	943	182	(1,829)
Net gains from disposals of foreclosed properties	(94)	(96)	(64)
Provision for valuation allowance on foreclosed properties	74	76	271
(Increase) decrease in accrued interest receivable and other assets	(474)	488	2,874
Increase (decrease) in other liabilities	926	(834)	(326)
Total adjustments	6,160	5,591	8,872
Net cash provided by operating activities	7,943	6,638	9,078
Cash flows from investing activities:			
Purchase of investment securities	(20,506)	(71,544)	(59,114)
Purchase of bank owned life insurance	(3,000)	(3,000)	—
Net decrease (increase) in interest-bearing deposits	1,743	(1,988)	9,543
Proceeds from sale of securities available for sale	23,491	44,780	27,065
Principal payments on investment securities	6,892	9,621	10,146
Proceeds from sale of non-marketable equity securities	—	500	1,987
Purchase of non-marketable equity securities	(2,215)	—	—
Proceeds from sale of foreclosed properties	1,856	1,818	2,067
Net increase in loans	(33,076)	(17,917)	(1,203)
Net capital expenditures	(485)	(549)	(473)
Net cash received from sale of office properties	159	—	465
Net cash used in investing activities	(25,141)	(38,279)	(9,517)
Cash flows from financing activities:			
Net increase in Federal Home Loan Bank advances	8,891	750	18,850
Net increase (decrease) in deposits	2,369	25,340	(26,915)
Surrender of restricted shares of common stock	(22)	(4)	—
Cash dividends paid	(207)	(103)	—
Net cash provided by (used in) financing activities	11,031	25,983	(8,065)
Net decrease in cash and cash equivalents	(6,167)	(5,658)	(8,504)
Cash and cash equivalents at beginning of period	17,601	23,259	31,763
Cash and cash equivalents at end of period	$11,434	$17,601	$23,259
Supplemental cash flow information:			
Cash paid during the year for:			

Interest on deposits	$3,612	$3,667	$5,360
Interest on borrowings	$646	$543	$1,273
Income taxes	$86	$790	$281
Supplemental noncash disclosure:			
Transfers from loans receivable to foreclosed and repossessed assets	$1,989	$2,173	$1,617

See accompanying notes to audited consolidated financial statements.

CITIZENS COMMUNITY BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Citizens Community Federal N.A. (the "Bank") included herein have been included by its parent company, Citizens Community Bancorp, Inc. (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Citizens Community Bancorp ("CCB") was a successor to Citizens Community Federal as a result of a regulatory restructuring into the mutual holding company form, which was effective on March 29, 2004. Originally, Citizens Community Federal was a credit union. In December 2001, Citizens Community Federal converted to a federal mutual savings bank. In 2004, Citizens Community Federal reorganized into the mutual holding company form of organization. In 2006, Citizens Community Bancorp completed its second-step mutual to stock conversion.

On April 16, 2014, the U.S. Office of the Comptroller of the Currency (the "OCC"), the primary federal regulator for Citizens Community Bancorp, Inc. and Citizens Community Federal, provided written notice to the Bank of the OCC's approval for the Bank to convert to a national banking association (a "National Bank") and operate under the title of Citizens Community Federal National Association ("Citizens Community Federal N.A."). The consummation of the conversion to a National Bank was effective as of May 31, 2014.

On April 18, 2014, Citizens Community Bancorp, Inc. received written notice from the Federal Reserve Bank of Minneapolis (the "FRB") notifying the Company of the FRB's approval of the Company becoming a bank holding company as
a result of the conversion of the Bank from a federally-chartered savings bank to a National Bank, which approval was also effective as of May 31, 2014.

The consolidated income of the Company is principally derived from the income of the Bank, the Company's wholly owned subsidiary. The Bank originates residential, commercial, agricultural, consumer and commercial and industrial (C&I) loans and accepts deposits from customers, primarily in Wisconsin, Minnesota and Michigan. The Bank operates 23 full-service offices; eight stand-alone locations and 15 branches, predominantly located inside Walmart Supercenters. In October 2014, we announced the closing of three in-store branches, effective January 2015; and the relocation of the Mankato, Minnesota branch to a new full-service traditional branch in Mankato, MN in 2015. We intend to review our branch network to deploy assets and capital to growth markets and exit markets where we have limited growth opportunities. Through all of our branch locations in Wisconsin, Minnesota and Michigan, we provide a variety of commercial and consumer banking products and services to customers, including online and mobile banking options.

The Bank is subject to competition from other financial institutions and non-financial institutions providing financial products. Additionally, the Bank is subject to the regulations of certain regulatory agencies and undergoes periodic examination by those regulatory agencies.

In preparing these consolidated financial statements, we evaluated the events and transactions that occurred through December 8, 2014, the date on which the financial statements were available to be issued. As of December 8, 2014, there were no subsequent events which required recognition or disclosure.

Unless otherwise stated, all monetary amounts in these Notes to Consolidated Financial Statements, other than share, per share and capital ratio amounts, are stated in thousands.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Citizens Community Federal N.A. All significant inter-company accounts and transactions have been eliminated.

Use of Estimates—Preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates are used in accounting for, among other items, fair value of financial instruments, the allowance for loan losses, valuation of acquired intangible assets, useful lives for depreciation and amortization, indefinite-lived intangible assets and long-lived assets, deferred tax assets, uncertain income tax positions and contingencies.

Management does not anticipate any material changes to estimates made herein in the near term. Factors that may cause sensitivity to the aforementioned estimates include but are not limited to: those items described under the caption “Risk Factors” in Item 1A of the accompanying annual report on Form 10-K for the year ended September 30, 2014 and external market factors such as market interest rates and employment rates, changes to operating policies and procedures, and changes in applicable banking regulations. Actual results may ultimately differ from estimates, although management does not generally believe such differences would materially affect the consolidated financial statements in any individual reporting period.

Cash and Cash Equivalents—For purposes of reporting cash flows in the consolidated financial statements, cash and cash equivalents include cash, due from banks, and interest bearing deposits with original maturities of three months or less.

Investment Securities; Held to Maturity and Available for Sale – Management determines the appropriate classification of investment securities at the time of purchase and reevaluates such designation as of the date of each statement of financial position date. Securities are classified as held to maturity when the Company has the positive intent and ability to hold the securities to maturity. Held to maturity securities are stated at amortized cost. Investment securities not classified as held to maturity are classified as available for sale. Available for sale securities are stated at fair value, with unrealized holding gains and losses deemed other than temporarily impaired due to non-credit issues being reported in other comprehensive income (loss), net of tax. Unrealized losses deemed other-than-temporary due to credit issues are reported in the Company's earnings in the period in which the losses arise. Interest income includes amortization of purchase premium or accretion of purchase discount. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method over the estimated lives of the securities. Gains and losses on sales of investment securities are recorded on the trade date and are determined using the specific identification method.

Declines in the fair value of securities below their cost that are other than temporary due to credit issues are reflected as "Net (loss) gain on available for sale securities" in the accompanying Consolidated Statement of Operations. In estimating other-than-temporary impairment (OTTI), management considers: (1) the length of time and extent that fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the Company's ability and intent to hold the security for a period sufficient to allow for any anticipated recovery in fair value. The difference between the present values of the cash flows expected to be collected and the amortized cost basis is the credit loss. The credit loss is the portion of OTTI that is recognized in operations and is a reduction to the cost basis of the security. The portion of other-than-temporary impairment related to all other factors is included in other comprehensive income (loss), net of the related tax effect.

Loans – Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of unearned interest, and deferred loan fees and costs. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the interest method without anticipating prepayments.

Interest income on commercial, mortgage and consumer loans is discontinued according to the following schedules:

- Commercial loans, including Agricultural and C&I loans, past due 90 days or more;
- Closed end consumer loans past due 120 days or more; and
- Real estate loans and open ended consumer loans past due 180 days or more.

Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not received for a loan placed on nonaccrual status is reversed against interest income. Interest received on such loans is accounted for on the cash basis or cost recovery method until qualifying for return to accrual status. Loans are returned to accrual status when payments are made that bring the loan account current with the contractual term of the loan and a 6 month payment history has been established. Interest on impaired loans considered troubled debt restructurings ("TDRs") or substandard, less than 90 days delinquent, is recognized as income as it accrues based on the revised terms of the loan over an established period of continued payment. Substandard loans, as defined by the OCC, our primary banking regulator, are loans that are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any.

Real estate loans and open ended consumer loans are charged off to estimated net realizable value less estimated selling costs at the earlier of when (a) the loan is deemed by management to be uncollectible, or (b) the loan becomes past due 180 days or more. Closed end consumer loans are charged off to net realizable value at the earlier of when (a) the loan is deemed by management to be uncollectible, or (b) the loan becomes past due 120 days or more. Commercial loans, including Agricultural and C&I loans, are charged off to net realizable value at the earlier of when

(a) the loan is deemed by management to be uncollectible, or (b) the loan becomes past due 90 days or more.
Allowance for Loan Losses – The allowance for loan losses ("ALL") is a valuation allowance for probable and inherent credit losses in our loan portfolio. Loan losses are charged against the ALL when management believes that the collectability of a loan balance is unlikely. Subsequent recoveries, if any, are credited to the ALL. Management estimates the required ALL balance taking into account the following factors: past loan loss experience; the nature, volume and composition of the loan

portfolio; known and inherent risks in the portfolio; information about specific borrowers' ability to repay; estimated collateral values; current economic conditions; and other relevant factors determined by management. The ALL consists of specific and general components. The specific component relates to loans that are individually classified as impaired. The general component covers non-impaired loans and is based on historical loss experience adjusted for certain qualitative factors. The entire ALL balance is available for any loan that, in management's judgment, should be charged off.

A loan is impaired when full payment under the loan terms is not expected. Impaired loans consist of all TDRs, as well as individual substandard loans not considered a TDR, when full payment under the loan terms is not expected. All TDRs are individually evaluated for impairment. See Note 3, "Loans, Allowance for Loan Losses and Impaired Loans" for more information on what we consider to be a TDR. If a TDR or substandard loan is deemed to be impaired, a specific ALL allocation is established so that the loan is reported, net, at either (a) the present value of estimated future cash flows using the loan's existing rate; or (b) at the fair value of any collateral less estimated disposal costs, if repayment is expected solely from the underlying collateral of the loan. For TDRs less than 90+ days past due, and certain TDRs that are less than 90+ days delinquent, the likelihood of the loan migrating to over 90 days past due is also taken into account when determining the specific ALL allocation. Large groups of smaller balance homogeneous loans, such as non-TDR commercial, consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, are not separately identified for impairment disclosures.

Non-marketable Equity Securities — Non-marketable equity securities are comprised of Federal Home Loan Bank (FHLB) stock and Federal Reserve Bank (FRB) stock, and are carried at cost in the amounts of $3,820 and $1,695 respectively.

The Bank is a member of the FHLB system. Members are required to own a certain amount of FHLB stock based on the Bank's level of borrowings from the FHLB and other factors, and may invest in additional amounts of FHLB stock. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. The determination of whether a decline affects the ultimate recovery is influenced by criteria such as: (1) the significance of the decline in net assets of the FHLB as compared to the capital stock amount and length of time a decline has persisted; (2) the impact of legislative and regulatory changes on the FHLB; and (3) the liquidity position of the FHLB. Both cash and stock dividends are reported as income.

FHLB stock is evaluated quarterly for impairment. Quarterly cash dividends were paid in November 2013 and in February 2014 at an annualized dividend rate of 0.30%. Quarterly cash dividends were paid in May 2014 and in August 2014 at an annualized dividend rate of 0.50% per share. Based on management's quarterly evaluation, no impairment has been recorded on these securities.

As a National Banking Association, the Bank must be a member of the Federal Reserve system. Each member bank is required to subscribe to Federal Reserve Stock in an amount equal to 6 percent of its capital and surplus. Although the par value of the stock is $100 per share, banks (including the Bank) pay only $50 per share at the time of purchase, with the understanding that the other half of the subscription amount is subject to call at any time. Dividends are paid at the statutory rate of 6 percent per annum, or $1.50 per share semi-annually on the last business day of June and December.

Foreclosed and Repossessed Assets, net – Assets acquired through foreclosure or repossession, are initially recorded at fair value, less estimated costs to sell, which establishes a new cost basis. If the fair value declines subsequent to foreclosure or repossession, a valuation allowance is recorded through expense. Costs incurred after acquisition are expensed, and are included in "non-interest expense, other" on the accompanying Consolidated Statements of Operations. Foreclosed and repossessed asset balances were $1,050 and $1,028 at September 30, 2014 and September 30, 2013, respectively.

Office Properties and Equipment—Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of office properties and equipment are reflected in income. Buildings and related components are depreciated using the straight-line method with useful lives ranging from 10 to 40 years. Furniture, fixtures and equipment are depreciated using the straight-line (or accelerated) method with useful lives ranging from 3 to 10 years. Leasehold improvements are depreciated using the straight-line (or accelerated) method with useful lives based on the lesser of (a) the estimated

life of the lease, or (b) the estimated useful life of the leasehold improvement.
Intangible Assets—Intangible assets consist of core deposit intangible assets arising from branch acquisitions. They were initially measured at fair value and amortized over their estimated useful lives, ranging from 7 to 15 years. The balance of core deposit intangible assets, were $161 and $218 at September 30, 2014 and 2013, respectively. Amortization expense related to these core deposit intangible assets was $57, $56 and $209 for the years ended September 30, 2014, 2013 and 2012, respectively. Accumulated amortization on core deposit intangible assets was $2,360 and $2,303, at September 30, 2014 and 2013, respectively.

Interest Bearing Deposits—Other interest bearing deposits mature within one year and are carried at cost, which approximates their fair value.
Advertising, Marketing and Public Relations Expense—The Company expenses all advertising, marketing and public relations costs as they are incurred. Total costs for the years ended September 30, 2014, 2013, and 2012 were $370, $233, and $190, respectively.
Income Taxes – The Company accounts for income taxes in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification ("ASC") Topic 740, "Income Taxes." Under this guidance, deferred taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates that will apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date. See Note 13, "Income Taxes" for details on the Company's income taxes.
The Company regularly reviews the carrying amount of its net deferred tax assets to determine if the establishment of a valuation allowance is necessary. If based on the available evidence, it is more likely than not that all or a portion of the Company's net deferred tax assets will not be realized in future periods, a deferred tax valuation allowance would be established. Consideration is given to various positive and negative factors that could affect the realization of the deferred tax assets. In evaluating this available evidence, management considers, among other things, historical performance, expectations of future earnings, the ability to carry back losses to recoup taxes previously paid, the length of statutory carry forward periods, any experience with utilization of operating loss and tax credit carry forwards not expiring, tax planning strategies and timing of reversals of temporary differences. Significant judgment is required in assessing future earnings trends and the timing of reversals of temporary differences. Accordingly, the Company's evaluation is based on current tax laws as well as management's expectations of future performance.
Earnings Per Share – Basic earnings per common share is net income or loss divided by the weighted average number of common shares outstanding during the period. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable during the period, consisting of stock options outstanding under the Company's stock incentive plans.
Loss Contingencies—Loss contingencies, including claims and legal actions arising in the normal course of business, are recorded as liabilities when the likelihood of loss is probable and an amount of loss can be reasonably estimated.
Off-Balance-Sheet Financial Instruments—In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit and commitments under lines of credit arrangements, issued to meet customer financial needs. Such financial instruments are recorded in the financial statements when they become payable.
Other Comprehensive Income (Loss)—Accumulated and other comprehensive income or loss is comprised of the unrealized and realized losses on securities available for sale and pension liability adjustments, net of tax, and is shown on the accompanying Consolidated Statements of Other Comprehensive Income (Loss).
Operating Segments—While the chief decision makers monitor the revenue streams of the various banking products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Accordingly, all of the Company's banking operations are considered by management to be aggregated in one reportable operating segment.
Reclassifications – Certain items previously reported were reclassified for consistency with the current presentation.
Adoption of New Accounting Standards - In August, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") 2014-14 - "Receivables; Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure". ASU 2014-14 is intended to improve accounting and disclosure consistency related to how creditors classify government-guaranteed mortgage loans, including FHA or VA guaranteed loans, upon foreclosure. For public entities, ASU 2014-09 is effective on a prospective basis for the annual periods, and interim periods within those annual periods, beginning after December 15, 2014. Early adoption is permitted. The Company expects the adoption of ASU 2014-14 to have no material effect on the Company's results of operations, financial position or cash flows.

In May, 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09 - "Revenue from Contracts with Customers (Topic 606). ASU 2014-09 is intended to clarify and simplify revenue recognition principles, develop a common revenue standard across industries and accounting frameworks, and improve the usefulness and consistency of revenue reporting. For public entities, ASU 2014-09 is effective on a retrospective basis for the annual periods, and interim periods within those annual periods, beginning after December 15, 2016. Early adoption is not permitted. The Company expects the adoption of ASU 2014-09 to have no material effect on the Company's results of operations, financial position or cash flows.

In January, 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-04 - "Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force)". ASU 2014-04 is intended to improve consistency among reporting entities by clarifying when an in substance foreclosure occurs, that is, when a creditor should derecognize a loan and recognize the corresponding real estate collateral as a separate asset. For public entities, ASU 2014 is effective for the annual periods, and interim periods within those annual periods, beginning after December 15, 2014. Early adoption is permitted. The Company expects the adoption of ASU 2014-04 to have no material effect on the Company's results of operations, financial position or cash flows.

NOTE 2 – FAIR VALUE ACCOUNTING

ASC Topic 820-10, “Fair Value Measurements and Disclosures” establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The statement describes three levels of inputs that may be used to measure fair value:

Level 1- Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Company has the ability to access as of the measurement date.

Level 2- Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3- Significant unobservable inputs that reflect the Company’s assumptions about the factors that market participants would use in pricing an asset or liability.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input within the valuation hierarchy that is significant to the fair value measurement.

Assets Measured on a Recurring Basis

The fair value of securities available for sale is determined by obtaining market price quotes from independent third parties wherever such quotes are available. Where such quotes are not available, we utilize independent third party valuation analysis to support our own estimates and judgments in determining fair value. The following table presents, for the periods shown below, the Company's fair value of securities available for sale in accordance with the fair value hierarchy described above.

	Fair Value	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2014				
Investment securities:				
U.S. government agency obligations	$22,103	$—	$22,103	$—
Obligations of states and political subdivisions	12,658	—	12,658	—
Mortgage-backed securities	36,171	—	36,171	—
Federal Agricultural Mortgage Corporation	65	—	65	—
Total	$70,997	$—	$70,997	$—
September 30, 2013				
Investment securities:				
U.S. government agency obligations	$27,866	$—	$27,866	$—
Obligations of states and political subdivisions	10,970	—	10,970	—
Mortgage-backed securities	39,633	—	39,633	—
Non-agency mortgage-backed securities	1,226	—	—	1,226
Total	$79,695	$—	$78,469	$1,226

The following table presents a reconciliation of non-agency mortgage-backed securities held by the Bank measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for each of the twelve months ended September 30, 2014 and 2013:

	Twelve Months Ended	
	September 30, 2014	September 30, 2013
Balance beginning of period	$1,226	$6,586
Total gains or losses (realized/unrealized):		
Included in earnings	(274)	(797)
Included in other comprehensive income (loss)	615	1,322
Sales	(1,321)	(3,802)
Payments, accretion and amortization	(246)	(2,083)
Balance end of period	$—	$1,226

Assets Measured on a Nonrecurring Basis

Fair value of foreclosed assets is determined, initially, by a third-party appraisal. Subsequent to foreclosure, valuations are periodically performed by management to identify potential changes in fair value. Fair value of loans restructured in a troubled debt restructuring is based on the value of the underlying collateral at the time of the restructuring, which is determined by either a third-party appraisal for real estate loans, or a third party price quote on secured consumer loans. The following table presents, for the periods shown below, the Company's fair value for foreclosed and repossessed assets and TDRs in accordance with the fair value hierarchy described above.

	Fair Value	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2014				
Foreclosed and repossessed assets, net	$1,050	$ —	$—	$1,050
Loans restructured in a TDR	5,581	—	—	5,581
Total	$6,631	$ —	$—	$6,631
September 30, 2013				
Foreclosed and repossessed assets, net	$1,028	$ —	$—	$1,028
Loans restructured in a TDR	8,618	—	—	8,618
Total	$9,646	$ —	$—	$9,646

The fair value of TDRs was determined by obtaining independent third party appraisals and/or internally developed collateral valuations to support the Company's estimates and judgments in determining the fair value of the underlying collateral supporting TDRs.

The fair value of foreclosed and repossessed assets was determined by obtaining market price quotes from independent third parties wherever such quotes were available. Where such quotes are not available, the Company utilized independent third party appraisals to support the Company's estimates and judgments in determining fair value.

Fair Values of Financial Instruments

ASC 825-10 and ASC 270-10, Interim Disclosures about Fair Value Financial Instruments, require disclosures about fair value financial instruments and significant assumptions used to estimate fair value. The estimated fair values of financial instruments not previously disclosed are determined as follows:

Cash and Cash Equivalents

Due to their short-term nature, the carrying amounts of cash and cash equivalents are considered to be a reasonable estimate of fair value.

Other interest bearing Deposits

Fair value of interest bearing deposits is estimated based on their carrying amounts.

Non-marketable Equity Securities, at cost

Non-marketable equity securities are comprised of Federal Home Loan Bank stock and Federal Reserve Bank stock carried at cost in the amounts of $3,820 and $1,695 respectively, which is its redeemable fair value since the market for each category of this stock is restricted.

Loans Receivable, net

Fair value is estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as real estate, commercial and consumer. The fair value of loans is calculated by discounting scheduled cash flows through the estimated maturity date using market discount rates reflecting the credit and interest rate risk inherent in the applicable loan. The estimate of maturity is based on the Bank's repayment schedules for each loan classification.

Accrued Interest Receivable and Payable

Due to their short-term nature, the carrying amounts of accrued interest receivable and payable, respectively, are considered to be a reasonable estimate of fair value.

Deposits

The fair value of deposits with no stated maturity, such as demand deposits, savings accounts, and money market accounts, is the amount payable on demand at the reporting date. The fair value of fixed rate certificate accounts is calculated by using discounted cash flows applying interest rates currently being offered on similar certificates.

Federal Home Loan Bank Advances
The fair value of long-term borrowed funds is estimated using discounted cash flows based on the Bank’s current incremental borrowing rates for similar borrowing arrangements. The carrying value of short-term borrowed funds approximates its fair value.
Off-Balance-Sheet Instruments
The fair value of off-balance sheet commitments would be estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, the current interest rates, and the present creditworthiness of the customers. Since this amount is immaterial to the Company’s consolidated financial statements, no amounts for fair value are presented.
The carrying amount and estimated fair value of financial instruments as of the dates indicated were as follows:

	September 30, 2014		September 30, 2013	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$11,434	$11,434	$17,601	$17,601
Interest-bearing deposits	245	245	1,988	1,988
Investment securities	70,974	70,997	79,695	79,695
Non-marketable equity securities, at cost	5,515	5,515	3,300	3,300
Loans receivable, net	463,860	479,961	434,683	448,846
Accrued interest receivable	1,478	1,478	1,469	1,469
Financial liabilities:				
Deposits	$449,767	$454,170	$447,398	$451,225
FHLB advances	58,891	59,331	50,000	49,676
Accrued interest payable	13	13	11	11

NOTE 3 – LOANS, ALLOWANCE FOR LOAN LOSSES AND IMPAIRED LOANS

Major classifications of loans as of September 30, 2014 and 2013, respectively, were as follows:

	September 30, 2014	September 30, 2013
Real estate loans:		
Consumer	$223,025	$252,958
Commercial	39,061	12,531
Total real estate loans	262,086	265,489
Consumer and other loans:		
Automobile	12,810	12,662
Secured personal and other	188,911	158,842
Unsecured personal	3,512	1,835
Total consumer and other loans	205,233	173,339
Gross loans	467,319	438,828
Less:		
Deferred loan origination fees, net of costs	3,047	2,035
Allowance for loan losses	(6,506)	(6,180)
Loans receivable, net	$463,860	$434,683

Certain directors and executive officers of the Company and the Bank are defined as related parties. These related parties, including their immediate families and companies in which they are principal owners, were loan customers of the Bank during 2014 and 2013. A summary of the changes in those loans during the last two fiscal years is as follows:

	September 30, 2014	2013
Balance—beginning of year	$131	$138
New loan originations	17	33
Repayments	(19)	(40)
Balance—end of year	$129	$131
Available and unused lines of credit	$18	$18

Allowance for Loan Losses—The ALL represents management's estimate of probable and inherent credit losses in the Bank's loan portfolio. Estimating the amount of the ALL requires the exercise of significant judgment and the use of estimates related to the amount and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of other qualitative factors such as current economic trends and conditions, all of which may be susceptible to significant change.

There are many factors affecting the ALL; some are quantitative, while others require qualitative judgment. The process for determining the ALL (which management believes adequately considers potential factors which result in probable credit losses), includes subjective elements and, therefore, may be susceptible to significant change. To the extent actual outcomes differ from management estimates, additional provision for loan losses could be required that could adversely affect the Company's earnings or financial position in future periods. Allocations of the ALL may be made for specific loans but the entire ALL is available for any loan that, in management's judgment, should be charged-off or for which an actual loss is realized.

Changes in the ALL by loan type for the periods presented below were as follows:

	Real Estate	Consumer and Other	Total
Year Ended September 30, 2014:			
Allowance for Loan Losses:			
Beginning balance, October 1, 2013	$2,541	$3,639	$6,180
Charge-offs	(1,238)	(689)	(1,927)
Recoveries	94	249	343
Provision	1,362	548	1,910
Ending balance, September 30, 2014	$2,759	$3,747	$6,506
Allowance for Loan Losses at September 30, 2014:			
Amount of allowance for loan losses arising from loans individually evaluated for impairment	$525	$207	$732
Amount of allowance for loan losses arising from loans collectively evaluated for impairment	$2,234	$3,540	$5,774
Loans Receivable as of September 30, 2014:			
Ending balance	$261,315	$209,051	$470,366
Ending balance: individually evaluated for impairment	$2,197	$732	$2,929
Ending balance: collectively evaluated for impairment	$259,118	$208,319	$467,437

	Real Estate	Consumer and Other	Total
Year ended September 30, 2013			
Allowance for Loan Losses:			
Beginning balance, October 1, 2012	$2,287	$3,458	$5,745
Charge-offs	(1,525)	(1,494)	(3,019)
Recoveries	36	275	311
Provision	1,743	1,400	3,143
Ending balance, September 30, 2013	$2,541	$3,639	$6,180
Allowance for Loan Losses at September 30, 2013:			
Amount of allowance for loan losses arising from loans individually evaluated for impairment	$667	$316	$983
Amount of allowance for loan losses arising from loans collectively evaluated for impairment	$1,874	$3,323	$5,197
Loans Receivable as of September 30, 2013:			
Ending balance	$264,388	$176,475	$440,863
Ending balance: individually evaluated for impairment	$3,659	$907	$4,566
Ending balance: collectively evaluated for impairment	$260,729	$175,568	$436,297

The Bank has originated substantially all loans currently recorded on the Company's consolidated balance sheet, except as noted below.

During October 2012, the Bank entered into an agreement to purchase short term consumer loans from a third party on an ongoing basis. A Board of Director determinant was established to limit the purchase of these consumer loans under this arrangement, to a maximum of $40,000, which we expect to attain by June 2015. Pursuant to the ongoing loan purchase agreement, a restricted reserve account was established at 3% of the outstanding consumer loan balances purchased up to a maximum of $1,000, with such percentage amount of the loans being deposited into a segregated reserve account. The funds in the reserve account are to be released to compensate the Bank for any purchased loans that are ultimately charged off. As of September 30, 2014, the balance of the consumer loans purchased was $32,812. The balance in the cash reserve account was $996, which is included in Deposits on the accompanying Consolidated Balance Sheet. To date, none of the purchased loans have been charged off.

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Loans receivable by loan type as of the end of the periods shown below were as follows:

	Real Estate Loans		Consumer and Other Loans		Total Loans	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Performing loans						
Performing TDR loans	$4,535	$6,254	$797	$1,101	$5,332	$7,355
Performing loans other	255,564	255,951	207,885	174,949	463,449	430,900
Total performing loans	260,099	262,205	208,682	176,050	468,781	438,255
Nonperforming loans (1)						
Nonperforming TDR loans	202	1,187	47	76	249	1,263
Nonperforming loans other	1,014	996	322	349	1,336	1,345
Total nonperforming loans	$1,216	$2,183	$369	$425	$1,585	$2,608
Total loans	$261,315	$264,388	$209,051	$176,475	$470,366	$440,863

(1) Nonperforming loans are either 90+ days past due or nonaccrual.

An aging analysis of the Company's real estate and consumer and other loans as of September 30, 2014 and September 30, 2013, respectively, was as follows:

	1 Month Past Due	2 Months Past Due	Greater Than 3 Months	Total Past Due	Current	Total Loans	Recorded Investment > 3 months and Accruing
September 30, 2014							
Real estate loans	$678	$80	$989	$1,747	$259,568	$261,315	$ 228
Consumer and other loans	354	73	178	605	175,634	176,239	99
Purchased third party loans	190	136	73	399	32,413	32,812	74
Total	$1,222	$289	$1,240	$2,751	$467,615	$470,366	$ 401
September 30, 2013							
Real estate loans	$2,057	$351	$1,905	$4,313	$260,075	$264,388	$ 371
Consumer and other loans	746	121	214	1,081	155,416	156,497	80
Purchased third party loans	112	66	32	210	19,768	19,978	32
Total	$2,915	$538	$2,151	$5,604	$435,259	$440,863	$ 483

At September 30, 2014, the Company has identified $5,581 of TDR loans and $2,228 of substandard loans as impaired, totaling $7,809, which includes $5,332 of performing TDR loans. A loan is identified as impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Performing TDRs consist of loans that have been modified and are performing in accordance with the modified terms for a sufficient length of time, generally six months, or loans that were modified on a proactive basis. A summary of the Company's impaired loans as of September 30, 2014 and September 30, 2013 was as follows:

	With No Related Allowance Recorded			With An Allowance Recorded			Totals		
	Real Estate	Consumer and Other	Total	Real Estate	Consumer and Other	Total	Real Estate	Consumer and Other	Total
Recorded investment at September 30, 2014	$4,345	$535	$4,880	$2,197	$732	$2,929	$6,542	$1,267	$7,809
Unpaid balance at September 30, 2014	4,345	535	4,880	2,197	732	2,929	6,542	1,267	7,809
Recorded investment at September 30, 2013	5,349	771	6,120	3,659	907	4,566	9,008	1,678	10,686
Unpaid balance at September 30, 2013	5,349	771	6,120	3,659	907	4,566	9,008	1,678	10,686
Average recorded investment; twelve months ended September 30, 2014	4,722	614	5,336	3,137	823	3,960	7,859	1,437	9,296
Average recorded investment; twelve months ended September 30, 2013	4,185	609	4,794	4,197	993	5,190	8,382	1,602	9,984
Interest income received; twelve months ended September 30, 2014	149	32	181	68	24	92	217	56	273
Interest income received; twelve months ended September 30, 2013	202	71	273	69	40	109	271	111	382

Troubled Debt Restructuring – A TDR includes a loan modification where a borrower is experiencing financial difficulty and the Bank grants a concession to that borrower that the Bank would not otherwise consider except for the borrower's financial difficulties. Concessions include an extension of loan terms, renewals of existing balloon loans, reductions in interest rates and consolidating existing Bank loans at modified terms. A TDR may be either on accrual or nonaccrual status based upon the performance of the borrower and management's assessment of collectability. If a TDR is placed on nonaccrual status, it remains there until a sufficient period of performance under the restructured terms has occurred at which time it is returned to accrual status. There were 4 delinquent TDRs, greater than 60 days past due, with a recorded investment of $191 at September 30, 2014, compared to 11 such loans with a recorded investment of $1,102 at September 30, 2013. A summary of loans by loan type modified in a troubled debt restructuring as of September 30, 2014 and September 30, 2013, and during each of the twelve months then ended, was as follows:

	Real Estate	Consumer and Other	Total
September 30, 2014 and Twelve Months then Ended:			
Accruing / Performing:			
Beginning balance	$6,254	$1,101	$7,355
Principal payments	(757)	(258)	(1,015)
Charge-offs	(11)	(30)	(41)
Advances	7	—	7
New restructured (1)	40	24	64
Class transfers (2)	(60)	—	(60)
Transfers between accrual/non-accrual	(938)	(40)	(978)
Ending balance	$4,535	$797	$5,332
Non-accrual / Non-performing:			
Beginning balance	$1,187	$76	$1,263
Principal payments	(1,515)	(38)	(1,553)
Charge-offs	(426)	(52)	(478)
Advances	3	—	3
New restructured (1)	—	16	16
Class transfers (2)	15	5	20
Transfers between accrual/non-accrual	938	40	978
Ending balance	$202	$47	$249
Totals:			
Beginning balance	$7,441	$1,177	$8,618
Principal payments	(2,272)	(296)	(2,568)
Charge-offs	(437)	(82)	(519)
Advances	10	—	10
New restructured (1)	40	40	80
Class transfers (2)	(45)	5	(40)
Transfers between accrual/non-accrual	—	—	—
Ending balance	$4,737	$844	$5,581

(1) "New restructured" represent loans restructured during the current period that met TDR criteria in accordance with the Bank's policy at the time of the restructuring.

(2) "Class transfers" represent previously restructured loans that met TDR criteria per the Bank's policy for the first time during the current period.

	Real Estate	Consumer and Other	Total
September 30, 2013 and Twelve Months then Ended:			
Accruing / Performing:			
Beginning balance	$5,751	$1,055	$6,806
Principal payments	(397)	(388)	(785)
Charge-offs	(131)	(42)	(173)
Advances	21	7	28
New restructured (1)	181	191	372
Class transfers (2)	1,294	263	1,557
Transfers between accrual/non-accrual	(465)	15	(450)
Ending balance	$6,254	$1,101	$7,355
Non-accrual / Non-performing:			
Beginning balance	$1,259	$70	$1,329
Principal payments	(557)	(86)	(643)
Charge-offs	(248)	(24)	(272)
Advances	13	3	16
New restructured (1)	—	1	1
Class transfers (2)	255	127	382
Transfers between accrual/non-accrual	465	(15)	450
Ending balance	$1,187	$76	$1,263
Totals:			
Beginning balance	$7,010	$1,125	$8,135
Principal payments	(954)	(474)	(1,428)
Charge-offs	(379)	(66)	(445)
Advances	34	10	44
New restructured (1)	181	192	373
Class transfers (2)	1,549	390	1,939
Transfers between accrual/non-accrual	—	—	—
Ending balance	$7,441	$1,177	$8,618

(1) “New restructured” represent loans restructured during the current period that met TDR criteria in accordance with the Bank’s policy at the time of the restructuring.

(2) “Class transfers” represent previously restructured loans that met TDR criteria per the Bank’s policy for the first time during the current period.

	September 30, 2014		September 30, 2013	
	Number of Modifications	Recorded Investment	Number of Modifications	Recorded Investment
Troubled debt restructurings:				
Real estate	47	$4,737	62	$7,441
Consumer and other	53	844	90	1,177
	100	$5,581	152	$8,618

As an integral part of their examination process, various regulatory agencies review the Bank’s ALL. Such agencies may require that changes in the ALL be recognized when such regulators’ credit evaluations differ from those of our management based on information available to the regulators at the time of their examinations.

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NOTE 4 – INVESTMENT SECURITIES

The amortized cost, estimated fair value and related unrealized gains and losses on securities available for sale and held to maturity as of September 30, 2014 and September 30, 2013, respectively, were as follows:

Available for sale securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
September 30, 2014				
U.S. government agency obligations	$23,076	$—	$973	$22,103
Obligations of states and political subdivisions	11,432	17	255	11,194
Mortgage-backed securities	29,058	138	369	28,827
Federal Agricultural Mortgage Corporation	71	—	6	65
Total available for sale securities	$63,637	$155	$1,603	$62,189
September 30, 2013				
U.S. government agency obligations	$29,702	$—	$1,836	$27,866
Obligations of states and political subdivisions	11,647	—	677	10,970
Mortgage-backed securities	40,378	140	885	39,633
Non-agency mortgage-backed securities	1,842	—	616	1,226
Total available for sale securities	$83,569	$140	$4,014	$79,695

Held to maturity securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
September 30, 2014				
Obligations of states and political subdivisions	$1,465	$4	$5	$1,464
Mortgage-backed securities	7,320	33	9	7,344
Total held to maturity securities	$8,785	$37	$14	$8,808
September 30, 2013				
Obligations of states and political subdivisions	$—	$—	$—	$—
Mortgage-backed securities	—	—	—	—
Total held to maturity securities	$—	$—	$—	$—

The estimated fair value of securities at September 30, 2014, by contractual maturity, is shown below. Expected maturities will differ from contractual maturities on mortgage-backed securities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Expected maturities may differ from contractual maturities on certain agency and municipal securities due to the call feature.

Available for sale securities	Amortized Cost	Estimated Fair Value
Due after one year through five years	$1,106	$1,114
Due after five years through ten years	11,326	11,018
Due after ten years	51,205	50,057
Total available for sale securities	$63,637	$62,189

Held to maturity securities	Amortized Cost	Estimated Fair Value
Due after one year through five years	$—	$—
Due after five years through ten years	585	582
Due after ten years	8,200	8,226
Total held to maturity securities	$8,785	$8,808

Securities with unrealized losses at September 30, 2014 and 2013, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, were as follows:

Available for sale securities	Less than 12 Months Fair Value	Unrealized Loss	12 Months or More Fair Value	Unrealized Loss	Total Fair Value	Unrealized Loss
2014						
U.S. government agency obligations	$—	$—	$22,103	$973	$22,103	$973
Obligations of states and political subdivisions	574	1	8,817	254	9,391	255
Mortgage-backed securities	8,167	66	12,518	303	20,685	369
Federal Agricultural Mortgage Corporation	65	6	—	—	65	6
Total temporarily impaired	$8,806	$73	$43,438	$1,530	$52,244	$1,603
2013						
U.S. government agency obligations	$27,866	$1,836	$—	$—	$27,866	$1,836
Obligations of states and political subdivisions	9,320	585	1,650	92	10,970	677
Mortgage-backed securities	27,690	885	—	—	27,690	885
Non-agency mortgage-backed securities	—	—	1,226	616	1,226	616
Total temporarily impaired	$64,876	$3,306	$2,876	$708	$67,752	$4,014

Held to maturity securities	Less than 12 Months Fair Value	Unrealized Loss	12 Months or More Fair Value	Unrealized Loss	Total Fair Value	Unrealized Loss
2014						
Obligations of states and political subdivisions	$345	$5	$—	$—	$345	$5
Mortgage-backed securities	3,364	9	—	—	3,364	9
Total temporarily impaired	$3,709	$14	$—	$—	$3,709	$14
2013						
Obligations of states and political subdivisions	$—	$—	$—	$—	$—	$—
Mortgage-backed securities	—	—	—	—	—	—
Total temporarily impaired	$—	$—	$—	$—	$—	$—

The Company evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. As part of such monitoring, the credit quality of individual securities and their issuers are assessed. Significant inputs used to measure the amount related to credit loss include, but are not limited to, default and delinquency rates of underlying collateral, remaining credit support, and historical loss severities. Adjustments to market value that are considered temporary are recorded as separate components of equity, net of tax. If an impairment of a security is identified as other-than-temporary based on information available, such as the decline in the credit worthiness of the issuer, external market ratings, or the anticipated or realized elimination of associated dividends, such impairments are further analyzed to determine if credit loss exists. If there is a credit loss, it will be recorded in the Company's consolidated statement of operations. Losses other than credit will continue to be recognized in other comprehensive income (loss), net of tax. Unrealized losses reflected in the preceding tables have not been included in results of operations because the unrealized loss was not deemed other-than-temporary. Management has determined that more likely than not, the Company neither intends to sell, nor will it be required to sell the debt security before its anticipated recovery.

At September 30, 2014, there were no holdings of securities of any one private issuer in an amount greater than 10% of the Company’s stockholders’ equity.

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A summary of the amount of other-than-temporary impairment related to credit losses on available for sale securities that have been recognized in earnings as of each of the most recent two fiscal year ends was as follows:

	2014	2013
Beginning balance of the amount of OTTI related to credit losses	$1,250	$3,740
Credit portion of OTTI on securities for which OTTI was not previously recognized	91	867
Cash payments received on a security in excess of the security's book value adjusted for the previously recognized credit portion of OTTI	(13)	(70)
Credit portion of OTTI on securities in default for which OTTI was previously recognized	—	(2,184)
Credit portion of OTTI previously recognized on securities sold during the period	(1,328)	(1,103)
Ending balance of the amount of OTTI related to credit losses	$—	$1,250

During the fiscal year ended September 30, 2014, the Bank recognized $78 of other-than-temporary impairment in earnings on the remaining balance of the non-agency mortgage-backed security portfolio compared to $790 for the same period in the prior year.

The Bank has pledged certain of its U.S. Agency securities as collateral against a borrowing line with the Federal Reserve Bank. However, as of September 30, 2014, there were no borrowings outstanding on the Federal Reserve Bank line of credit. The Bank has also pledged certain of its U.S. Agency securities as collateral against specific municipal deposits.

NOTE 5—OFFICE PROPERTIES AND EQUIPMENT

Office properties and equipment at September 30 for each of the years shown below consisted of the following:

	2014	2013
Land	$510	$510
Buildings	2,284	2,161
Furniture, equipment, and vehicles	7,672	9,930
Subtotals	10,466	12,601
Less—Accumulated depreciation	(6,741)	(7,766)
Office properties and equipment—net	$3,725	$4,835

Depreciation expense was $1,116, $1,079 and $1,043 for the years ended September 30, 2014, 2013 and 2012, respectively.

NOTE 6—INTANGIBLE ASSETS

Intangible assets consist of core deposit intangibles arising from various bank acquisitions. A summary of core deposit intangibles and related amortization for the periods shown below follows:

	2014	2013
Balance at beginning of year	$218	$274
Capitalized	—	—
Amortization	(57)	(56)
Balance at end of year	$161	$218

The estimated future aggregate amortization expense for the core deposit intangibles is as follows:

2015	$57
2016	57
2017	31
2018	15
After 2018	1
Total	$161

NOTE 7—DEPOSITS

The following is a summary of deposits by type at September 30, 2014 and 2013, respectively:

	2014	2013
Non-interest bearing demand deposits	$19,669	$22,926
interest bearing demand deposits	17,696	11,075
Savings accounts	29,277	28,259
Money market accounts	136,666	154,639
Certificate accounts	246,459	230,499
Total deposits	$449,767	$447,398
Brokered certificates of deposit included above:	$11,960	$11,960

At September 30, 2014, the scheduled maturities of time deposits were as follows:

2015	$80,381
2016	71,638
2017	52,843
2018	23,960
2019	17,637
After 2019	—
Total	$246,459

Deposits from the Company’s directors, executive officers, principal stockholders and their affiliates held by the Bank at September 30, 2014 and 2013 amounted to $696 and $584, respectively.

NOTE 8 – FEDERAL HOME LOAN BANK ADVANCES

A summary of Federal Home Loan Bank advances at September 30, 2014 and 2013 were as follows:

Maturing during the fiscal year Ended September 30,	2014	Weighted Average Rate		2013	Weighted Average Rate	
2015	$15,000	0.67	%	$7,500	0.27	%
2016	16,100	0.88	%	15,000	0.67	%
2017	12,961	1.57	%	11,600	1.01	%
2018	6,100	2.24	%	12,300	1.60	%
2019	3,730	1.87	%	3,600	2.81	%
Total fixed rate maturity	$53,891			$50,000		
Variable rate open line of credit	5,000	0.30	%	—	—	
Total	$58,891			$50,000		

At September 30, 2014, the Bank's available and unused portion of this borrowing arrangement was approximately $81,930.

Maximum month-end amounts outstanding were $75,891 and $52,950 during the twelve months ended September 30, 2014 and 2013, respectively.

Each advance is payable at the maturity date, with a prepayment penalty for fixed rate advances. Federal Home Loan Bank advances are secured by $232,512 of real estate mortgage loans.

At September 30, 2014, the Bank has pledged FHLB Letters of Credit to collateralize certain municipal deposits in the amount of $23,100 due to ample liquidity.

NOTE 9—CAPITAL MATTERS

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. As of September 30, 2014, the OCC categorized the Bank as "Well Capitalized", under the regulatory framework for prompt corrective action.

The Bank's Tier 1 (leverage) and risk-based capital ratios at September 30, 2014 and 2013, respectively, are presented below:

	Actual		For Capital Adequacy Purposes			To Be Well Capitalized Under Prompt Corrective Action Provisions		
	Amount	Ratio	Amount		Ratio	Amount		Ratio
As of September 30, 2014 (Audited)								
Total capital (to risk weighted assets)	$62,116,000	16.1 %	$30,793,000	>=	8.0 %	$38,491,000	>=	10.0 %
Tier 1 capital (to risk weighted assets)	57,283,000	14.9 %	15,396,000	>=	4.0 %	23,095,000	>=	6.0 %
Tier 1 capital (to adjusted total assets)	57,283,000	10.0 %	22,991,000	>=	4.0 %	28,739,000	>=	5.0 %
As of September 30, 2013 (Audited)								
Total capital (to risk weighted assets)	$59,297,000	16.3 %	$29,182,000	>=	8.0 %	$36,478,000	>=	10.0 %
Tier 1 capital (to risk weighted assets)	54,717,000	15.0 %	14,591,000	>=	4.0 %	21,887,000	>=	6.0 %
Tier 1 capital (to adjusted total assets)	54,717,000	9.9 %	22,220,000	>=	4.0 %	27,775,000	>=	5.0 %

NOTE 10—COMMITMENTS AND CONTINGENCIES

Financial Instruments with Off-Balance-Sheet Risk—The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include off-balance-sheet credit instruments consisting of commitments to make loans. The face amounts for these items represent the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contract or notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. Set forth below are the balances of the Company's off-balance-sheet credit instruments consisting of commitments to make loans as of September 30, 2014 and 2013, respectively.

	Contract or Notional Amount at September 30,	
	2014	2013
Commitments to extend credit:		
Consumer - fixed rate 3.30% - 11.99% in 2014, and 3.13% - 11.49% in 2013	$2,820	$2,475
Commercial - Fixed rate 3.25% - 5.50% in 2014, and 4.30% - 6.25% in 2013	7,172	7,791
Commercial standby letter of credit	20	—
Unused lines of credit:		
Home equity lines of credit	1,622	1,035
Kwik cash and lines of credit	1,227	1,235
Consumer construction	119	—
Commercial construction	947	—
Commercial lines of credit	2,192	142
Totals	$16,119	$12,678

Loss Contingencies—Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated.

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Leases—The Company leases certain branch facilities and its administrative offices under operating leases. Rent expense under these operating leases was $1,186, $1,138, and $1,142 for the years ended September 30, 2014, 2013 and 2012, respectively. None of the Company's leases contain contingent rental payment, purchase option, escalation or any other significant terms, conditions or restrictions that would affect the future minimum lease payments disclosed below.

Future minimum lease payments by year and in the aggregate under the original terms of the non-cancellable operating leases consist of the following:

2015	$1,211
2016	849
2017	689
2018	535
2019	291
After 2019	540
Total	$4,115

NOTE 11—RETIREMENT PLANS

401(k) Plan—The Company sponsors a 401(k) profit sharing plan that covers all employees who qualify based on minimum age and length of service requirements. Employees may make pretax voluntary contributions to the plan, which are matched, in part, by the Company. Employer matching contributions to the plan were $193, $189, and $172 for 2014, 2013 and 2012, respectively.

Supplemental Executive Retirement Plan—The Company maintained an unfunded Supplemental Executive Retirement Plan (SERP) providing retirement benefits for key employees designated by the Board of Directors. Benefits under the SERP generally were based on the key employees' years of service and compensation during the years preceding retirement. In May 2009, any additional accrual of benefits under the SERP was suspended. The remaining SERP liability relates to former Executive Management.

Director Retirement Plan—The Company also maintains an unfunded Directors' Retirement Plan. The benefit amounts are determined by individual director agreements. The remaining Director Retirement Plan liability relates to current and former Directors.

The components of the SERP and Directors' Retirement plans' cost at September 30, 2014, 2013 and 2012, respectively, are summarized as follows:

	2014	2013	2012
Beginning accrued benefit cost	$1,181	$2,363	$2,659
Service cost	—	—	—
Interest cost	51	45	126
Amortization of prior service costs	1	1	6
Net periodic benefit cost	52	46	132
Benefits paid	(79)	(1,228)	(66)
Curtailment and settlement	—	—	(362)
Ending accrued benefit cost	$1,154	$1,181	$2,363

The following table sets forth for the SERP and Directors' Retirement plans the change in projected benefit obligation, the change in plan assets, the funded status of the plans, and the net liability recognized in the Company's balance sheet at September 30, 2014, 2013 and 2012, respectively:

	2014	2013	2012
Change in benefit obligation:			
Projected benefit obligation, beginning of year	$1,117	$2,381	$3,008
Service cost	—	—	—
Interest cost	51	45	126
Curtailment and settlement	—	—	(755)
Actuarial loss (gain)	20	(81)	68
Benefits paid	(79)	(1,228)	(66)
Projected benefit obligation, end of year	$1,109	$1,117	$2,381
Change in plan assets:			
Plan assets at fair value, beginning of year	$—	$—	$—
Actual return on plan assets	—	—	—
Company contributions	79	1,228	66
Benefits paid	(79)	(1,228)	(66)
Plan assets at fair value, end of year	$—	$—	$—

Weighted average assumptions used in determining the benefit obligation and net pension costs as of September 30, 2014, 2013 and 2012, (in actual dollars) were as follows:

	2014	2013	2012
Benefit obligation actuarial assumptions:			
Discount Rate	4.25%	4.75%	3.75%
Rate of compensation increase	N/A	N/A	N/A
Net pension cost actuarial assumption			
Discount rate	4.25%	4.75%	4.25%
Expected long-term rate of return on plan assets	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A

Estimated future benefit payments as of September 30, 2014, which reflect expected future service, as appropriate, are as follows:

2015	$81
2016	$104
2017	$111
2018	$118
2019	$111
2020-2024	$591

NOTE 12 - STOCK-BASED COMPENSATION

In February 2005, the Company’s stockholders approved the Company’s 2004 Recognition and Retention Plan. This plan provides for the grant of up to 113,910 shares of the Company’s common stock to eligible participants under this plan. As of September 30, 2014, 113,910 restricted shares under this plan were issued and 101,103 restricted shares under this plan were outstanding. Restricted shares previously granted were awarded at no cost to the employee and have a five-year vesting period from the grant date. The fair value of these previously granted restricted shares on the date of award was $7.04 per share for 63,783 shares, $6.18 for 6,832 shares, $5.24 for 20,312 shares, $5.65 for 2,500 shares and $5.84 for 20,483 shares. During the twelve months ended September 30, 2013, 20,483 shares, respectively, were granted to eligible participants under this plan at a weighted average fair value of $5.84 per share. No shares were granted to eligible participants under this plan during the twelve months ended September 30, 2014.

There were no previously awarded shares under the 2004 Recognition and Retention Plan that were forfeited in either of the twelve months ended September 30, 2014 or 2013, respectively. There were 639 shares of the Company's common stock surrendered during the twelve months ended September 30, 2013 and 2,830 shares of the Company's common stock surrendered during the twelve months ended September 30, 2014, in each case to satisfy the withholding taxes due upon the vesting of certain previously awarded shares.

In February 2005, the Company’s stockholders also approved the Company’s 2004 Stock Option and Incentive Plan. This plan provides for the grant of nonqualified and incentive stock options and stock appreciation rights to eligible participants under the plan. The plan provides for the grant of awards for up to 284,778 shares of the Company’s common stock. At September 30, 2014, 284,778 options had been granted under this plan to eligible participants at a weighted-average exercise price of $6.57 per share. Options granted vest over a five-year period from the grant date. Unexercised, nonqualified stock options expire within 15 years of the grant date and unexercised incentive stock options expire within 10 years of the grant date. Through September 30, 2014, since the plan’s inception, options for 91,203 shares of the Company’s common stock were vested, options for 45,489 shares were unvested, options for 143,528 shares were forfeited and options for 4,558 shares were exercised. Of the 284,778 options granted, 136,692 remained outstanding as of September 30, 2014.

In February 2008, the Company’s stockholders approved the Company’s 2008 Equity Incentive Plan. The aggregate number of shares of common stock reserved and available for issuance under the 2008 Equity Incentive Plan is 597,605 shares. Under the Plan, the Compensation Committee may grant stock options and stock appreciation rights that, upon exercise, result in the issuance of 426,860 shares of the Company’s common stock. The Committee may also grant shares of restricted stock and restricted stock units for an aggregate of 170,745 shares of Company common stock under this plan.

As of September 30, 2014 and September 30, 2013, 15,000 and 0 restricted shares under the 2008 Equity Incentive plan were issued and outstanding, respectively. Restricted shares granted were awarded at no cost to the employee and vest pro rata over a five-year period from the grant date. During the twelve months ended September 30, 2014, 15,000 shares were granted to eligible participants under this plan at a weighted average fair value of $8.00 per share.

Compensation expense related to restricted stock awards from both the 2004 Recognition and Retention Plan and the 2008 Equity Incentive Plan were $66, $45 and $22 for the years ended September 30, 2014, 2013 and 2012, respectively.

As of September 30, 2014 and September 30, 2013, 45,000 and 0 common stock options under the 2008 Equity Incentive plan were issued respectively. During the twelve months ended September 30, 2014, 45,000 options were granted under this plan to eligible participants at a weighted-average exercise price of $8.00 per share and 2,500 options were forfeited. Options granted vest pro rata over a five-year period from the grant date. Unexercised, nonqualified stock options expire within 15 years of the grant date and unexercised incentive stock options expire within 10 years of the grant date. Through September 30, 2014, since the plan’s inception, options for 0 shares of the Company’s common stock were vested, options for 42,500 shares were unvested, options for 2,500 shares were forfeited and options for 0 shares were exercised. Of the 45,000 options granted, 42,500 remained outstanding as of September 30, 2014.

The Company accounts for stock-based employee compensation related to the Company’s 2004 Stock Option and Incentive Plan and the 2008 Equity Incentive Plan using the fair-value-based method. Accordingly, management records compensation expense based on the value of the award as measured on the grant date and then the Company recognizes that cost over the vesting period for the award. The compensation cost recognized for stock-based employee compensation from both plans for the years ended September 30, 2014, 2013 and 2012 was $43, $31 and $21, respectively.

	Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
2014				
Outstanding at beginning of year	150,932	$6.15		
Granted	45,000	8.00		
Exercised	—			
Forfeited or expired	(16,740)			
Outstanding at end of year	179,192	$6.52	6.96	$—
Exercisable at end of year	91,203	$6.35	5.52	
Fully vested and expected to vest	179,192	$6.52	6.96	
2013				
Outstanding at beginning of year	124,789	$6.26		
Granted	26,143	5.62		
Exercised	—			
Forfeited or expired	—			
Outstanding at end of year	150,932	$6.15	7.06	$—
Exercisable at end of year	88,927	$6.63	6.07	
Fully vested and expected to vest	150,932	$6.15	7.06	
2012				
Outstanding at beginning of year	160,353	$6.70		
Granted	10,000	5.65		
Exercised	—			
Forfeited or expired	(45,564)			
Outstanding at end of year	124,789	$6.26	7.65	$—
Exercisable at end of year	77,639	$6.82	6.78	
Fully vested and expected to vest	124,789	$6.26	7.65	

Information related to the 2004 Stock Option and Incentive Plan and 2008 Equity Incentive Plan during each year follows:

	2014	2013	2012
Intrinsic value of options exercised	$—	$—	$—
Cash received from options exercised	$—	$—	$—
Tax benefit realized from options exercised	$—	$—	$—

Set forth below is a table showing relevant assumptions used in calculating stock option expense related to the Company’s 2004 Stock Option and Incentive Plan and 2008 Equity Incentive Plan:

	2014	2013	2012
Dividend yield	0 %	0 %	0 %
Risk-free interest rate	2.7 %	1.7 %	1.6 %
Weighted average expected life (years)	10	10	10
Expected volatility	3 %	14 %	19 %

NOTE 13 – INCOME TAXES

Income tax expense (benefit) for each of the periods shown below consisted of the following:

	2014	2013	2012
Current tax provision			
Federal	$97	$227	$1,708
State	7	17	240
	104	244	1,948
Deferred tax provision (benefit)			
Federal	798	322	(1,567)
State	145	69	(220)
	943	391	(1,787)
Total	$1,047	$635	$161

The provision for income taxes differs from the amount of income tax determined by applying statutory federal income tax rates to pretax income as result of the following differences:

	2014		2013		2012	
	Amount	Rate	Amount	Rate	Amount	Rate
Tax expense at statutory rate	$962	34.00 %	$572	34.00 %	$124	34.00 %
State income taxes net of federal	152	5.37 %	86	5.10 %	20	5.37 %
Tax exempt interest	(46)	(1.64)%	(31)	(1.87)%	(2)	(0.51)%
Other	(21)	(0.73)%	8	0.51 %	19	4.99 %
Total	$1,047	37.00 %	$635	37.74 %	$161	43.85 %

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following is a summary of the significant components of the Company’s deferred tax assets and liabilities as of September 30, 2014 and September 30, 2013, respectively:

	2014	2013
Deferred tax assets:		
Allowance for loan losses	$2,562	$2,433
Deferred loan costs/fees	217	308
Director/officer compensation plans	551	564
Net unrealized loss on securities available for sale	579	1,549
Impairment loss	—	1,306
Other	233	182
Deferred tax assets	$4,142	$6,342
Deferred tax liabilities:		
Office properties and equipment	(397)	(677)
Other	(111)	(125)
Deferred tax liabilities	(508)	(802)
Net deferred tax assets	$3,634	$5,540

The Company regularly reviews the carrying amount of its deferred tax assets to determine if the establishment of a valuation allowance is necessary, as further discussed in Note 1 “Nature of Business and Summary of Significant Accounting

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Policies," above. At September 30, 2014 and September 30, 2013, respectively, management determined that no valuation allowance was necessary.

The Company's income tax returns are subject to review and examination by federal, state and local government authorities. As of September 30, 2014, years open to examination by the U.S. Internal Revenue Service include taxable years ended September 30, 2011 to present. The years open to examination by state and local government authorities varies by jurisdiction.

The tax effects from uncertain tax positions can be recognized in the financial statements, provided the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority. The Company applied the foregoing accounting standard to all of its tax positions for which the statute of limitations remained open as of the date of the accompanying consolidated financial statements.

The Company's policy is to recognize interest and penalties related to income tax issues as components of other noninterest expense. During the twelve months ended September 30, 2014, 2013 and 2012, the Company recognized interest expense in the amount of $0, $22 and $41, respectively, related to income tax issues in its statements of operations. The Company had no recorded accrual or liability for the payment of interest and penalties related to income tax issues as of September 30, 2014 or September 30, 2013.

NOTE 14—EARNINGS PER SHARE

Earnings per share is based on the weighted average number of shares outstanding for the year. A reconciliation of the basic and diluted earnings per share for the last three fiscal years is as follows:

	2014	2013	2012
Basic			
Net income	$1,783	$1,047	$206
Weighted average common shares outstanding	5,163,373	5,151,413	5,133,707
Basic earnings per share	$0.35	$0.20	$0.04
Diluted			
Net income	$1,783	$1,047	$206
Weighted average common shares outstanding for basic earnings per share	5,163,373	5,151,413	5,133,707
Add: Dilutive stock options outstanding	33,333	11,767	—
Average shares and dilutive potential common shares	5,196,706	5,163,180	5,133,707
Diluted earnings per share	$0.34	$0.20	$0.04
Additional common stock option shares that have not been included due to their antidilutive effect	145,859	139,165	124,789

NOTE 15 – OTHER COMPREHENSIVE INCOME (LOSS)

On October 1, 2011, the Company adopted ASU 2011-05, "Presentation of Comprehensive Income". In addition to presenting the Consolidated Statements of Other Comprehensive Income (Loss) herein, the following table shows the tax effects allocated to each component of other comprehensive income (loss) for the years ended September 30, 2014, 2013 and 2012:

	2014			2013			2012		
	Before-Tax Amount	Tax Expense	Net-of-Tax Amount	Before-Tax Amount	Tax Expense	Net-of-Tax Amount	Before-Tax Amount	Tax Expense	Net-of-Tax Amount
Unrealized gains (losses) on securities:									
Net unrealized gains (losses) arising during the period	$2,515	(1,006)	$ 1,509	$(4,654)	$1,861	$ (2,793)	$1,372	$(549)	$ 823
Less: reclassification adjustment for gains included in net income	(168)	67	(101)	552	(220)	332	243	(97)	146
Changes for realized losses on securities available for sale for OTTI write-down	78	(31)	47	797	(319)	478	1,332	(533)	799
Defined benefit plans:									
Amortization of unrecognized prior service costs and net gains (losses)	(18)	7	(11)	82	(33)	49	330	(132)	198
Other comprehensive income (loss)	$2,407	$(963)	$ 1,444	$(3,223)	$1,289	$ (1,934)	$3,277	$(1,311)	$ 1,966

The changes in the accumulated balances for each component of other comprehensive income (loss) for the years ended September 30, 2014 and 2013 were as follows:

	Unrealized Gains (Losses) on Securities	Defined Benefit Plans	Other Comprehensive Income (Loss)
Balance, October 1, 2012	$(341)	$(11)	$(352)
Current year-to-date other comprehensive income (loss), net of tax	(1,983)	49	(1,934)
Ending balance, September 30, 2013	$(2,324)	$38	$(2,286)
Current year-to-date other comprehensive income (loss), net of tax	1,455	(11)	1,444
Ending balance, September 30, 2014	$(869)	$27	$(842)

NOTE 16—CONDENSED FINANCIAL INFORMATION – PARENT COMPANY ONLY

The following condensed balance sheets as of September 30, 2014 and 2013, and condensed statements of operations and cash flows for each of the years in the three-year period ended September 30, 2014, for Citizens Community Bancorp, Inc. should be read in conjunction with the accompanying consolidated financial statements and the notes thereto.

CONDENSED BALANCE SHEETS
September 30,

	2014	2013
ASSETS		
Cash and cash equivalents	$235	$230
Investment in subsidiary	57,058	53,955
Total assets	$57,293	$54,185
STOCKHOLDERS’ EQUITY		
Total stockholders’ equity	$57,293	