

Dear Sir or Madame,

I would like to give a very specific example of what may be serious abuse of 12b-1 fees in support of their elimination by the Commission.

When I first considered investing in the Value Line Fund (VLIFX), the prospectus I read never said that the 12b-1 fee could be used to bolster the profits of the parent company - Value Line. In a April 27, 2007 filing, Value Line first, states the goal of the 12b-1 fee as (page B-13):

**"The Service and Distribution Plan (12b-1 Plan) (the "Plan") is designed to finance the activities of the Distributor in advertising, marketing and distributing Fund shares and for servicing Fund shareholders at an annual rate of 0.25% of the Fund's average daily net assets."**

The impression is that such fees would be collected and then used for the benefit of the fund shareholders to pay for advertising, marketing etc.

Then the filing goes on to say that the fees collected "**may**" be used as follows:

**"The principal services and expenses for which such compensation *may* be used include: compensation to employees or account executives and reimbursement of their expenses; overhead and telephone costs of such employees or account executives; printing of prospectuses or reports for prospective shareholders; advertising; preparation, printing and distribution of sales literature; and allowances to other broker-dealers."**

Finally, in the next paragraph Value states:

**"The Plan is a compensation plan, which means that the Distributor's fees under the Plan are payable without regard to actual expenses incurred by the Distributor. To the extent the revenue received by the Distributor pursuant to the Plan exceeds the Distributor's marketing expenses, the Distributor may earn a profit under the Plan."**

What concerns me is the last sentence, "**...the Distributor may earn a profit under the Plan.**"

Let's work backward (hypothetically) from here.

1) The fee is .25% of assets under management (\$200 million for this fund) or about \$500,000.

2) Value Line has a total of 14 mutual funds collecting 12b-1 fees with a total of \$3.6 billion in assets.

3) The total 12b-1 fees earned would be \$3.6 billion \* .0025 = \$9.0 million per year (approximate)

4) According to the Form 10Q filed by Value Line, Inc. on 3-17-2006, 12 funds have had this 12b-1 fee arrangement since the July, 1, 2000 then the remain two funds adopted the program Sep 18, 2002.

5) Thus, \$9 million \* 7 years (approximately) = \$72 million.

6) The "Plan" permits ALL fees to be used for profit or spent on items that benefit only the parent company, i.e. none of the fees collected are required to be spent for the specific benefit of the FUND share holders. So what may happen? (hypothetically)

7) Since, the Distributor (Value Line Securities) is a wholly owned subsidiary of the Advisor (Value Line, Inc.) which in turn is 86% owned by Arnold Bernhard & Company which is 100% owned by Ms. Jean Buttner, Value Line's CEO, where the 86% of fees end up is clear. But how?

8) A large dividend, perhaps? Value Line has paid two such dividends. The latest on May 4, 2004 for \$17.50 (value of about \$175 million)

The 12b-1 Plan described in the filings seems to be abusive and simply a scheme or mechanism to simply transfer the fees collected from the mutual fund shareholders to the shareholders of the parent company which is 86% owned by the CEO.

Didn't Conrad Black do something similar? This needs to be stopped.

Thank you.