

Value Line
New York Tax Exempt Trust
(VLNYX)

PROSPECTUS
JUNE 1, 2010



The Securities and Exchange Commission has not approved or disapproved these securities or passed upon the accuracy or adequacy of this prospectus, and any representation to the contrary is a criminal offense.

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What is the Trust's Investment objective?

The Trust's investment objective is to provide New York taxpayers with the maximum income exempt from New York State, New York City and federal income taxes while avoiding undue risk to principal.

What are the Trust's fees and expenses?

This table describes the fees and expenses you pay in connection with an investment in the Trust.

Shareholder Fees (fees paid directly from your investment)

| | |
|---|-------------|
| Maximum Sales Charges (Load) Imposed on Purchases as a percentage of offering price | None |
| Maximum Deferred Sales Charges (Load) as a percentage of original purchase price or redemption price, whichever is lower | None |
| Maximum Sales Charges (Load) Imposed on Reinvested Dividends | None |
| Redemption Fee | None |
| Exchange Fee | None |

Annual Trust Operating Expenses (expenses that are deducted from the Trust's assets)

| | |
|--|---------------|
| Management Fees* | 0.60% |
| Distribution and Service (12b-1) fees* | 0.25% |
| Other Expenses | 0.56% |
| Total Annual Trust Operating Expenses | 1.41% |
| Less Management Fee and 12b-1 Fee Waiver* | -0.47% |
| Net Expenses* | 0.94% |

* Effective June 1, 2010 through May 31, 2011, EULAV Asset Management, LLC (the "Adviser") has contractually agreed to waive the portion of the management fee in an amount equal to 0.225% of the Trust's average daily net assets and EULAV Securities, Inc. (the "Distributor") has contractually agreed to waive the Trust's 12b-1 fee, in an amount equal to 0.25% of the Trust's average daily net assets. The waivers cannot be terminated without the approval of the Trust's Board of Trustees.

Example

This example is intended to help you compare the cost of investing in the Trust to the cost of investing in other mutual funds. The example shows the cumulative amount of Trust expenses on a hypothetical investment of \$10,000 with an annual 5% return over the time shown, assuming that the Trust's total operating expenses remain the same except in year one. The expenses indicated for each period would be the same whether you sold shares at the end of each period or continued to hold them. This is an example only, and your actual costs may be greater or less than those shown here. Based on these assumptions, your costs would be:

| | 1 year | 3 years | 5 years | 10 years |
|---------------------------|--------|---------|---------|----------|
| New York Tax Exempt Trust | \$96 | \$400 | \$726 | \$1,650 |

Portfolio turnover

The Trust pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Trust shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the Trust's performance. During the most recent fiscal year the Trust's portfolio turnover rate was 84% of the average value of its portfolio.

What are the Trust's principal investment strategies?

To achieve the Trust's investment objective, the Adviser invests the Trust's assets so that, under normal conditions, at least 80% of the annual interest income of the Trust will be exempt from both regular federal income tax and New York State and City personal income taxes and will not subject non-corporate shareholders to the alternative minimum tax. The Trust invests primarily in investment grade New York municipal securities having a maturity of more than one year. At least 80% of the Trust's assets are invested in securities the interest income of which is exempt from both regular federal income tax and New York State and City personal income taxes. The Trust buys and sells New York municipal securities with a view towards seeking a high level of current income exempt from federal and New York State and City income taxes.

What are the Trust's principal risks?

Investing in any mutual fund, including the Trust, involves risk, including the risk that you may receive little or no return on your investment, and the risk that you may lose part or all of your investment. When you invest in the Trust, you assume a number of risks. Among them, is **interest rate risk**, the risk that as interest rates rise the value of some fixed income securities such as municipal securities may decrease, **market risk**, the risk that securities in a certain market will decline in value because of factors such as economic conditions or government actions, **credit risk**, the risk that any of the Trust's holdings will have its credit downgraded or will default, **income risk**, the risk that the Trust's income may decline because of falling interest rates and other market conditions, **liquidity risk**, the risk that at times it may be difficult to value a security or sell it at a fair price and **risks associated with credit ratings**.

Because the Trust invests primarily in the securities issued by New York State and its municipalities, its performance may be affected by local, state, and regional factors. These may include tax, legislation or policy changes, political and economic factors, natural disasters, and the possibility of credit problems.

Although New York State has enacted plans to reduce its multi-year budget deficits, gaps between actual revenues and expenditures may arise in the current and future fiscal years. New York State, New York City and certain localities outside New York City have experienced financial problems in the past, and particularly over the past 14 months, as a result of the credit market crisis and global recession. These problems have affected and most likely will continue to affect the fiscal health of the State and the U.S. economy for the foreseeable future.

New federal or state legislation may adversely affect the tax-exempt status of securities held by the Trust or the financial ability of municipalities to repay their obligations. Although distributions of interest income from the Trust's tax-exempt securities are generally exempt from regular federal income tax, distributions from other sources, including capital gain distributions and any gains on the sale of your shares, are not. You should consult a tax adviser about whether an alternative minimum tax applies to you and about state and local taxes on your Trust distributions.

The price of Trust shares will increase and decrease according to changes in the value of the Trust's investments. The market values of municipal securities will vary inversely in relation to their yields.

The Trust's ability to achieve its investment objective is dependent upon the ability of the issuers of New York municipal securities to meet their continuing obligations for the payment of principal and interest.

The Trust is non-diversified which means that it may invest a greater portion of its assets in a single issuer than a diversified fund. Thus, it may be exposed to greater risk.

An investment in the Trust is not a complete investment program and you should consider it just one part of your total investment program. An investment in the Trust is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Trust is not appropriate for IRAs or other tax-advantaged retirement plans. For a more complete discussion of risk, please turn to page 9 and refer to the Statement of Additional Information.

How has the Trust performed?

This bar chart and table can help you evaluate the potential risks of investing in the Trust. The bar chart below shows how returns for the Trust's shares have varied over the past ten calendar years, and the table below shows the average annual total returns (before and after taxes) of these shares for one, five, and ten years compared to the performance of the Barclays Capital Municipal Bond Index, which is a broad based market index. The Trust's past performance (before and after taxes) is not necessarily an indication of how it will perform in the future. Updated performance information is available at: www.vlfunds.com.

Total Returns (before taxes) as of 12/31 each year



Best Quarter: Q3 2002 +5.41%
Worst Quarter: Q3 2008 -5.39%

The Trust's year-to-date return for the three months ended March 31, 2010, was 0.11%.

Average annual total returns for periods ended December 31, 2009

| | 1 year | 5 years | 10 years |
|--|--------|---------|----------|
| Value Line New York Tax Exempt Trust | | | |
| <i>Return before taxes</i> | 9.03% | 1.39% | 3.79% |
| <i>Return after taxes on distributions</i> | 9.03% | 1.28% | 3.64% |
| <i>Return after taxes on distributions and sale of Trust shares</i> | 7.18% | 1.67% | 3.76% |
| Barclays Capital Municipal Bond Index (reflects no deduction for fees, expenses or taxes) | 12.91% | 4.32% | 5.75% |

“Return after taxes on distributions and sale of Trust shares” may be greater than “Return before taxes” because the investor is assumed to be able to use the capital loss on the sale of Trust shares to offset other taxable gains. After-tax returns are calculated using the highest individual federal income tax rate in effect at the time of each distribution and assumed sale, but do not include the impact of state and local taxes. Your actual after-tax returns depend on your own tax situation and may differ from those shown. After-tax returns are not relevant to investors who hold their Trust shares in a tax-deferred account (including a 401(k) or IRA account), or to investors that are tax-exempt.

Who manages the Trust?

The Trust's investment adviser is EULAV Asset Management, LLC.

Liane Rosenberg is primarily responsible for the day-to-day management of the Trust's portfolio. Ms. Rosenberg has been a portfolio manager with the Adviser since November 2009 and has been the Trust's portfolio manager since February 2010.

Purchase and sale of Trust shares

Minimum initial investment in the Fund: \$1,000.

Minimum additional investment in the Fund: \$250.

The Trust's shares are redeemable and you may redeem your shares (sell them back to the Trust) through your broker-dealer, financial advisor or financial intermediary. You may also redeem your shares by mail by writing to: Value Line Funds, c/o Boston Financial Data Services, Inc., P.O. Box 219729, Kansas City, MO 64121-9729. You can exchange all or part of your investment in the Trust for shares in other Value Line funds. To execute an exchange, call 800-243-2729. The trust reserves the right to reject any exchange order.

Tax information

The Trust seeks to earn income and pay dividends exempt from federal income tax and New York State and City personal income tax. A portion of the dividends you receive may be subject to federal, New York State or New York City personal income tax or may be subject to the federal alternative minimum tax. You may also receive taxable distributions attributable to the Trust's sale of municipal bonds. All dividends and distributions may be subject to state and local income taxes other than New York State and New York City personal income taxes.

Payments to broker-dealers and other financial intermediaries

If you purchase the Trust through a broker-dealer or other financial intermediary (such as a bank), the Trust and its related companies may pay the intermediary for the sale of Trust shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Trust over another investment. Ask your salesperson or visit your financial intermediary's Web site for more information.

Investment objective

The Trust's investment objective is to provide New York taxpayers with the maximum income exempt from New York State, New York City and federal income taxes while avoiding undue risk to principal. Although the Trust will strive to achieve its investment objective, there is no assurance that it will succeed.

Principal investment strategies

The Adviser analyzes economic and market conditions, seeking to identify the securities that it thinks make the best investments. Under normal conditions, the Trust's assets will be invested so that at least 80% of the annual interest income of the Trust will be exempt from both regular federal income tax and New York State and City personal income taxes and will not subject non-corporate shareholders to the alternative minimum tax. This is a fundamental policy of the Trust which will not be changed without shareholder approval. At least 80% of the Trust's assets will be invested in securities the interest income of which is exempt from both regular federal income tax and New York State and City personal income taxes.

Non-principal investment strategies

Temporary defensive position

From time to time in response to adverse market, economic, political or other conditions, the Trust may invest a portion of its assets for temporary defensive purposes in cash, cash equivalents, U.S. government securities or securities that are not exempt from New York State and New York City personal income taxes. This could help the Trust avoid losses, but it may result in lost opportunities and lower yields. If this occurs, the Trust's assets may not be invested in accordance with its strategy and the Trust may not achieve its investment objective.

There are other non-principal investment strategies discussed in the Statement of Additional Information.

The type of securities in which the Trust invests

The Trust invests primarily in New York State municipal and public authority debt obligations or obligations of municipal issuers located in Puerto Rico, the U.S. Virgin Islands and Guam, since dividends paid by the Trust, to the extent

attributable to such sources, are exempt from federal, New York State and New York City income taxes. The Trust invests primarily in securities which have a maturity of more than one year and are rated at the time of purchase within the four highest categories of a nationally recognized statistical rating organization, or if not rated, deemed by the Adviser to be of comparable quality.

The investments are generally one of the following: general obligation bonds which are secured by the full faith and credit of the issuer and its taxing power or revenue bonds which are payable from revenue derived from a particular facility or service.

Portfolio turnover

The Trust may engage in active and frequent trading of portfolio securities in order to take advantage of better investment opportunities to achieve its investment objective which would result in additional expenses. This strategy may negatively affect the Trust's performance and may also result in capital gain distributions that could increase your income tax liability. See "Financial Highlights" for the Trust's most current portfolio turnover rates.

The principal risks of investing in the Trust

Because of the nature of the Trust, you should consider an investment in it to be a long-term investment that will best meet its objective when held for a number of years. The Trust's ability to achieve its investment objective is dependent upon the ability of issuers of New York municipal securities to meet their continuing obligations for the payment of principal and interest. New York State and New York City and certain localities outside of New York City have at times faced, and continue to face, serious economic problems that have adversely affected New York municipal issuers. The default or credit-rating downgrade of one of these issuers could affect the market values and marketability of all New York municipal securities and decrease the Trust's yield or share price. In addition, the Trust is non-diversified which means that it may invest a greater portion of its assets in a single issuer than a diversified fund. As a result, an investment in the Trust may be subject to more risks than investing in a fund that is otherwise more diversified.

Yields of municipal securities depend upon a number of factors, including the financial condition of the issuer, economic and capital market conditions, the volume of municipal securities available, the slope of the yield curve, conditions within the municipal securities market, proposed and actual changes in tax laws, regulations and rules, and the maturity, rating and size of individual offerings. Market values of municipal securities will vary inversely in relation to their yields.

When investing in the Trust, you will also assume an **interest rate risk**, the possibility that as interest rates rise the value of some fixed income securities may decrease. Other risks that you assume when investing in the Trust are **market risk, credit risk, income risk, liquidity risk** and **risks associated with credit ratings**. **Market risk** is the risk that securities in a certain market will decline in value because of factors such as economic conditions or government actions. **Credit risk** is the risk that any of the Trust's holdings will have its credit rating downgraded or will default, thereby reducing the Trust's income level and share price. **Income risk** is the risk that the Trust's income may decline because of falling interest rates and other market conditions. **Liquidity risk** is the risk that at times it may be difficult to value a security or sell it at a fair price. **Risks associated with credit ratings** refers to ratings by a nationally recognized statistical rating organization that represent the organization's opinion as to credit quality of a security but is not an absolute standard of quality or guarantee as to the creditworthiness of an issuer. Ratings of nationally recognized statistical rating organizations present an inherent conflict of interest because such organizations are paid by the entities whose securities they rate. The credit rating of a security does not necessarily address its market risk (that is, the risk that the value of a security will be adversely affected due to movements in the overall financial markets or changes in the level of interest rates). In addition, ratings may not be revised promptly to reflect developments in the issuer's financial condition.

New federal or state legislation may adversely affect the tax-exempt status of securities held by the Trust or the financial ability of municipalities to repay these obligations. Although distributions of interest income from the Trust's tax-exempt securities are generally exempt from regular federal income tax, distributions from other sources, including capital gain distributions and any gains on the sale of your shares, are not. You should consult a tax adviser about whether an alternative minimum tax applies to you and about state and local taxes on your Trust distributions.

An investment in the Trust is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

Please see the Statement of Additional Information for a further discussion of risks. Information on the Trust's recent portfolio holdings can be found in the Trust's current annual, semi-annual or quarterly reports. A description of the Trust's policies and procedures with respect to the disclosure of the Trust's portfolio securities is also available in the Statement of Additional Information.

The business and affairs of the Trust are managed by the Trust's officers under the oversight of the Trust's Board of Trustees.

Investment Adviser

The Trust's investment adviser is EULAV Asset Management, LLC, a wholly-owned subsidiary of Value Line, Inc. ("Value Line"), located at 220 East 42nd Street, New York, NY 10017. The Adviser also acts as investment adviser to the other Value Line mutual funds and furnishes investment counseling services to private and institutional clients, with combined assets of approximately \$2.4 billion as of March 31, 2010.

Value Line was organized in 1982 and is the successor to substantially all of the operations of Arnold Bernhard & Co., Inc., which with its predecessor has been in business since 1931. On May 5, 2009, the Distributor, a subsidiary of Value Line, changed its name from "Value Line Securities, Inc." to "EULAV Securities, Inc." No other changes were made to the Distributor's organization, including its operations and personnel. Another subsidiary of Value Line publishes The Value Line Investment Survey and other publications.

On November 4, 2009, the Securities and Exchange Commission ("SEC"), Value Line, the Distributor and two former directors and officers of Value Line settled a matter related to brokerage commissions charged by the Distributor to certain Value Line mutual funds ("Funds"), from 1986 through November of 2004 involving alleged misleading disclosures provided by Value Line to the Boards of Directors/Trustees and shareholders of the Funds regarding such brokerage commissions. Value Line paid disgorgement, interest and penalty of \$43.7 million in connection with the settlement, which amounts are expected to constitute a "Fair Fund" to be distributed to investors in the Funds who were disadvantaged by such brokerage practices. Value Line will bear all costs associated with any Fair Fund distribution, including retaining a third-party consultant approved by the SEC staff to administer any Fair Fund distribution. Value Line has informed the Funds' Board that it continues to have adequate liquid assets, and that the resolution of this matter will not have a materially adverse effect on the ability of Adviser or the Distributor to perform their respective contracts with the Funds.

Management fees

For managing the Trust and its investments, the Adviser is paid a fee at an annual rate of 0.60% of the Trust's average daily net assets. Effective June 1, 2009 through May 31, 2010, the Adviser contractually agreed to waive a portion of the Trust's management fee equal to 0.225% of the Trust's average daily net assets. The Adviser has contractually agreed to extend the fee waiver through May 31, 2011. There is no assurance that the Adviser will extend the contractual fee waiver beyond such date.

A discussion regarding the basis for the Trust's Board of Trustees' approval of the investment advisory agreement is available in the Trust's most recent semi-annual report to shareholders for the six month period ended July 31.

Portfolio management

Liane Rosenberg is primarily responsible for the day-to-day management of the Trust's portfolio. Ms. Rosenberg has been a portfolio manager with the Adviser since November 2009 and has been the Trust's portfolio manager since February 2010. From May 2008 until December 2008 she was a client portfolio manager with MEAG New York, formerly Munich Re Capital Management. From August 2004 until April 2008, she was Director of Portfolio Management at XL Capital Ltd. There is additional information in the Statement of Additional Information about Ms. Rosenberg's compensation, other accounts she manages and her ownership of Trust shares.

How to buy shares

■ **By telephone**

Once you have opened an account, you can buy additional shares by calling 800-243-2729 (the Trust's transfer agent) between 9:00 a.m. and 4:00 p.m. New York time. You must pay for these shares within three business days of placing your order.

■ **By wire**

If you are making an initial purchase by wire, you must call the Trust's transfer agent at 800-243-2729 so you can be assigned an account number. Request your U. S. bank with whom you have an account to wire the amount you want to invest to State Street Bank and Trust Company, ABA #011000028, attention DDA # 99049868. Include your name, account number, tax identification number and the name of the fund in which you want to invest.

■ **Through a broker-dealer**

You can open an account and buy shares through a broker-dealer, who may charge a fee for this service.

■ **By mail**

Complete the account application and mail it with your check payable to BFDS, Agent, to Value Line Funds, c/o Boston Financial Data Services, Inc., P.O. Box 219729, Kansas City, MO 64121-9729. If you are making an initial purchase by mail, you must include a completed account application with your check. Cash, money orders, traveler's checks, cashier's checks, bank drafts or third-party checks will not be accepted for either the initial or any subsequent purchase. All purchases must be made in U.S. dollars and checks must be drawn on U.S. banks.

■ **Minimum/additional investments**

Once you have completed an account application, you can open an account with an initial investment of \$1,000, and make additional investments at any time for \$250. The price you pay for shares will depend on when your purchase order is received. The Trust reserves the right to reject any purchase order and to reduce or waive the minimum purchase requirements at any time.

■ **Time of purchase**

Your price for Trust shares is the Trust's net asset value per share ("NAV") which is generally calculated as of the close of regular trading on the New York Stock Exchange (the "Exchange") (generally 4:00 p.m., Eastern time) every day the Exchange is open for business. The Exchange is currently closed on weekends, New Year's Day, Martin Luther King, Jr. Day, Presidents' Day,

Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day and on the preceding Friday or subsequent Monday if any of those days falls on a Saturday or Sunday, respectively. Your order will be priced at the next NAV computed after your order is received in correct form by Boston Financial Data Services, Inc. (“BFDS”) as agent for the Trust.

Trust shares may be purchased through various third-party intermediaries authorized by the Trust including banks, brokers, financial advisers and financial supermarkets who may charge a fee. When the intermediary is authorized by the Trust, orders will be priced at the NAV next computed after receipt of the order by the intermediary.

■ **Distribution plan**

The Trust has adopted a plan of distribution under rule 12b-1 under the Investment Company Act of 1940. Under the plan, the Trust is charged a fee at the annual rate of 0.25% of the Trust’s average daily net assets with the proceeds used to finance the activities of the Distributor. The plan provides that the Distributor may make payments to securities dealers, banks, financial institutions and other organizations which provide distribution, marketing and administrative services with respect to the distribution of the Trust’s shares. Such services may include, among other things, answering investor inquiries regarding the Trust, processing new shareholder account applications and redemption transactions, responding to shareholder inquiries, and such other services as the Trust may request to the extent permitted by applicable statute, rule or regulation. The plan also provides that the Adviser may make such payments out of its advisory fee, its past profits or any other source available to it. The fees payable to the Distributor under the plan are payable without regard to actual expenses incurred which means that the Distributor may earn a profit under the plan. Effective June 1, 2009 through May 31, 2010, the Distributor contractually agreed to waive the Trust’s rule 12b-1 fee in an amount equal to 0.25% of the Trust’s average daily net assets. The Distributor has agreed to extend this contractual 12b-1 fee waiver through May 31, 2011. There can be no assurance that the Distributor will extend the contractual 12b-1 fee waiver beyond such date. Because rule 12b-1 fees are paid out of the Trust’s assets on an ongoing basis, over time these fees will increase the cost of your investment and may cost you more than if you paid other types of sales charges.

■ **Additional dealer compensation**

The Adviser, the Distributor and/or their affiliates may pay additional compensation out of their assets (which generally come directly or indirectly from the Trust and other Value Line mutual funds) to certain brokerage firms and other intermediaries or their affiliates, based on Trust assets held by that firm, or such other criteria agreed to by the Adviser, the Distributor or their affiliates. The Adviser, the Distributor or their affiliates determine the firms to which payments may be made. Such payments may be significant.

Brokerage firms and other intermediaries that sell Trust shares may make decisions about which investment options they will service and make available to their clients based on the payments these entities may be eligible to receive for their services. Therefore, payments to a brokerage firm or other intermediary may create potential conflicts of interest between that entity and its clients where that entity determines which investment options it will make available to those clients.

■ **Net asset value**

The Trust's NAV is determined as of the close of regular trading on the Exchange each day the Exchange is open for business. NAV is calculated by adding the market value of all the securities and assets in the Trust's portfolio, deducting all liabilities, and dividing the resulting number by the number of shares outstanding. The result is the NAV per share. Securities for which market prices or quotations are available are priced at their market value. Securities for which market valuations are not available are priced at their fair value as determined by the Adviser pursuant to policies and procedures adopted by the Board of Trustees. The Trust will use the fair value of a security when the closing market price on the primary exchange where the security is traded no longer accurately reflects the value of a security due to factors affecting one or more relevant securities markets or the specific issuer. The use of fair value pricing by the Trust may cause the NAV to differ from the NAV that would be calculated using closing market prices. There can be no assurance that the Trust could obtain the fair value assigned to a security if it sold the security at approximately the time at which the Trust determined its NAV. Fixed-income municipal securities are valued on the basis of prices provided by an independent pricing service which prices are reflective of market value. Investments which have a maturity of less than 60 days are priced at amortized cost which represents fair value. The amortized cost method of valuation involves valuing a security at its cost and accruing any discount or premium over the period until maturity, regardless of the impact of fluctuating interest rates on the market value of the security.

■ **Important information about opening a new account with the Value Line Funds**

In furtherance of the national effort to stop the funding of terrorism and to curtail money laundering, the USA Patriot Act and other Federal regulations require financial institutions, including mutual funds, to adopt certain policies and programs to prevent money laundering activities, including procedures to verify the identity of all investors opening new accounts.

Accordingly, when completing the Trust's account application, you will be required to supply the Trust with certain information for all persons owning or permitted to act on an account. This information includes name, date of birth, taxpayer identification number and street address. Also, as required by law, the Trust employs various procedures, such as comparing the information you provide against fraud databases or requesting additional information or documentation from you, to ensure that the information supplied by you is correct. Until such verification is made, the Trust may temporarily limit any share purchases or close your account if it is unable to verify your identity.

How to sell shares

■ **By mail**

You can redeem your shares (sell them back to the Trust), at NAV by mail by writing to: Value Line Funds, c/o Boston Financial Data Services, Inc., P.O. Box 219729, Kansas City, MO 64121-9729. The request must be signed by all owners of the account, and you must include a signature guarantee using the medallion imprint for each owner. Signature guarantees are also required when redemption proceeds are going to anyone other than the account holder(s) of record. If you hold your shares in certificates, you must submit the certificates properly endorsed with signature guaranteed with your request to sell the shares. A signature guarantee can be obtained from most banks or securities dealers, but not from a notary public. A signature guarantee helps protect against fraud.

The Trust will pay you promptly, normally the next business day, but no later than seven days after your request to sell your shares is received. If you purchased your shares by check, the Trust will wait until your check has cleared, which can take up to 15 days from the day of purchase, before the proceeds are sent to you.

If your account is held in the name of a corporation, as a fiduciary or agent, or as surviving joint owner, you may be required to provide additional documents with your redemption request.

■ **By telephone or wire**

You can sell \$1,000 or more of your shares by telephone or wire, with the proceeds sent to your bank the next business day after your request is received.

■ **By check**

You can sell \$500 or more of your shares by writing a check payable to the order of any person.

■ **Through a broker-dealer**

Trust shares may be sold through various third-party intermediaries including banks, brokers, financial advisers and financial supermarkets, who may charge a fee for this service. When the intermediary is authorized by the Trust, the shares that you buy or sell through the intermediary are priced at the next NAV that is computed after receipt of your order by the intermediary.

Among the brokers that have been authorized by the Trust are Charles Schwab & Co., Inc., TD Ameritrade Inc., Pershing LLC, and Fidelity Brokerage Services, LLC (National Financial Services LLC.) You should consult with your broker to determine if it has been so authorized.

■ **By exchange**

You can exchange all or part of your investment in the Trust for shares in other Value Line funds. When you exchange shares, you are purchasing shares in another fund so you should be sure to get a copy of that fund's prospectus and read it carefully before buying shares through an exchange. To execute an exchange, call 800-243-2729. The Trust reserves the right to reject any exchange order.

When you send the Trust's transfer agent a request properly completed to sell or exchange shares, you will receive the NAV that is next determined after your request is received by the Trust. For each account involved, you should provide the account name, number, name of fund and exchange or redemption amount. Call 800-243-2729 for information on additional documentation that may be required. You may have to pay taxes on the gain from your sale or exchange of shares.

Exchanges among Value Line funds are a shareholder privilege and not a right. The Trust may temporarily or permanently terminate the exchange privileges of any investor that, in the opinion of the Trust, uses market timing strategies or who makes more than four exchanges out of the Trust during a calendar year.

This exchange limitation does not apply to systematic purchases and redemptions, including certain automated or pre-established exchange, asset allocation or dollar cost averaging programs. These exchange limits are subject to the Trust's ability to monitor exchange activity. Shareholders seeking to engage in excessive trading practices may deploy a variety of strategies to avoid detection, and, despite the best efforts of the Trust to prevent excessive trading, there is no guarantee that the Trust or its agents will be able to identify such shareholders or curtail their trading practices. The Trust receives purchase and redemption orders through financial intermediaries and cannot always know or reasonably detect excessive trading which may be facilitated by these intermediaries or by the use of omnibus account arrangements offered by these intermediaries to investors.

Account minimum

If as a result of redemptions your account balance falls below \$500, the Trust may ask you to increase your balance within 30 days. If your account is not at the minimum by the required time, the Trust may redeem your account, after first notifying you in writing.

Frequent purchases and redemptions of Trust shares

Frequent purchases and redemptions of the Trust's shares entail risks, including the dilution in value of the Trust shares held by long-term shareholders, interference with the efficient management of the Trust's portfolio, and increased brokerage and administrative costs. Because the Trust does not accommodate frequent purchases and redemptions of Trust shares, the Trust's Board of Trustees has adopted policies and procedures to prohibit investors from engaging in late trading and to discourage excessive and short-term trading practices that may disrupt portfolio management strategies and harm Trust performance.

Although there is no generally applied standard in the marketplace as to what level of trading activity is excessive, the Trust considers trading in its shares to be excessive if an investor:

- sells shares within 30 days after the shares were purchased;
- makes more than four exchanges out of the Trust during a calendar year (other than systematic purchases and redemptions); or
- enters into a series of transactions that is indicative of a timing pattern strategy.

In order to seek to detect frequent purchases and redemptions of Trust shares, the Distributor monitors selected trades that have been identified by the Trust's transfer agent. If the Distributor determines that an investor or a client of a broker has engaged in excessive short-term trading that may be harmful to the Trust, the Distributor will ask the investor or broker to cease such activity and may refuse to process purchase orders (including purchases by exchange) of such investor, broker or accounts that the Distributor believes are under their control.

While the Distributor uses its reasonable efforts to detect excessive trading activity, there can be no assurance that its efforts will be successful or that market timers will not employ tactics designed to evade detection. Neither the Adviser, the Distributor, the Trust nor any of the Trust's service providers may enter into arrangements intended to facilitate frequent purchases and redemptions of Trust shares. Frequently, shares are held through omnibus accounts maintained by financial intermediaries such as brokers and retirement plan administrators, where the holdings of multiple shareholders, such as all the clients of a particular broker, are aggregated. The ability to monitor trading practices by investors purchasing shares through omnibus accounts is dependent upon the cooperation of the financial intermediary in observing the Trust's policies. Consequently, it may be more difficult for the Trust to detect market timing activity through such accounts. However, the Trust, through its agent, has entered into an information sharing agreement with each financial intermediary, which provides, among other things, that the financial intermediary shall provide, promptly upon the Trust's request, certain identifying and transaction information regarding its underlying shareholders. Should the Trust detect market timing activity, it may terminate the account or prohibit future purchases or exchanges by an underlying shareholder. Because omnibus accounts may apply their own market timing policies with respect to their accounts, and because the Distributor retains discretion in applying market timing policies, there is a risk that different shareholders may be treated differently and some level of market timing activity could occur.

Special services

To help make investing with the Trust as easy as possible, and to help you build your investments, the following special services are available. You can get further

information about these programs by calling Shareholder Services at 800-243-2729.

- Valu-Matic® allows you to make regular monthly investments of \$25 or more automatically from your checking account.
- Through the Systematic Cash Withdrawal Plan you can arrange a regular monthly or quarterly payment from your account payable to you or someone you designate. If your account is \$5,000 or more, you can have monthly or quarterly withdrawals of \$25 or more. Such withdrawals will each constitute a redemption of a portion of your Trust shares which may result in income, gain or loss to you, for federal income tax purposes.

Dividends, distributions and taxes

The Trust declares dividends from its net investment income daily, and distributes the accrued dividends to you each month. Capital gains, if any, are distributed annually. The Trust may also pay capital gain distributions at other times if necessary for the Trust to avoid U.S. federal income or excise tax. Dividends and any capital gains are automatically reinvested, unless you indicate otherwise in your application to purchase shares.

Investors should consider the tax consequences of buying shares of the Trust shortly before the record date of a capital gain distribution, because such distribution will generally be taxable even though the net asset value of shares of the Trust will be reduced by the distribution.

Tax laws are subject to change, so you should consult your tax adviser about your particular tax situation and how it might be affected by current tax law. The tax status of your dividends from the Trust is not affected by whether you reinvest your dividends or receive them in cash. For U.S. federal income tax purposes, distributions from the Trust's tax-exempt interest, called "exempt-interest dividends", are exempt from regular federal income tax. Distributions from the Trust's net long-term capital gains, if any, that are designated by the Trust as capital gain dividends are taxable as long-term capital gains. Dividends that are not exempt-interest dividends and short-term capital gain distributions, if any, are taxable as ordinary income for federal income tax purposes. To the extent the Trust's dividend distributions are derived from interest income paid on New York State tax-free investments, they will be free from New York State and New

York City personal income taxes. Corporate taxpayers should note that all or a portion of the Trust's distributions will not be exempt from New York State and New York City franchise or corporate income taxes. However, you may be subject to other state and local taxes on dividends and distributions. The Trust may also make distributions that are a preference item for purposes of the alternative minimum tax for individuals, but such distributions are expected to be less than 20% of the Trust's total distributions under normal conditions. All exempt-interest dividends may result in or increase a corporate shareholders liability for alternative minimum tax. Shareholders should consult their tax advisers to determine whether the alternative minimum tax is applicable in their particular circumstances.

The Trust will send you a statement by January 31 each year detailing the amount and nature of all dividends and capital gains that you were paid during the prior year.

You generally will have a capital gain or loss if you dispose of your Trust shares by redemption, exchange or sale in an amount equal to the difference between the net amount of the redemption or sale proceeds (or in the case of an exchange, the fair market value of the shares) that you receive and your tax basis for the shares you redeem, sell or exchange. Certain limitations may apply to limit your ability to currently deduct capital losses.

As with all mutual funds, the Trust may be required to withhold backup withholding tax on all distributions payable to you if you fail to provide the Trust with your correct social security number or other taxpayer identification number or make required certifications, or if you have been notified by the IRS that you are subject to backup withholding. The backup withholding tax rate is 28% for amounts paid by the Trust through December 31, 2010 and currently is scheduled to rise to 31% for amounts paid by the Trust after such date. Backup withholding is not an additional tax; rather, it is a way in which the IRS ensures it will collect taxes otherwise due. Any amounts withheld may be credited against your U.S. federal income tax liability.

The above discussion is meant only as a summary; more information is available in the Statement of Additional Information. We urge you to consult your tax adviser about your particular tax situation including federal, state, local, and foreign tax considerations and possible additional withholding taxes for non-U.S. shareholders.

The financial highlights table is intended to help you understand the Trust's financial performance for the fiscal years and periods below. Certain information reflects financial results for a single Trust share. The total returns in the table represent the rate that an investor would have earned or lost on an investment in the Trust assuming reinvestment of all dividends and distributions. This information has been derived from the Trust's financial statements which were audited by PricewaterhouseCoopers LLP, whose report, along with the Trust's financial statements, is included in the Trust's annual report, which is available upon request by calling 800-243-2729.

Financial Highlights

Selected data for a share of beneficial interest outstanding throughout each year:

| | Years Ended January 31, | | | | |
|---|-------------------------|----------------|---------------|---------------|---------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| Net asset value, beginning of year | \$8.59 | \$9.55 | \$9.71 | \$9.69 | \$10.19 |
| Income from investment operations: | | | | | |
| Net investment income | 0.30 | 0.31 | 0.36 | 0.36 | 0.29 |
| Net gains or (losses) on securities (both realized and unrealized) | 0.26 | (0.96) | (0.15) | 0.03 | (0.20) |
| Total from investment operations | 0.56 | (0.65) | 0.21 | 0.39 | 0.09 |
| Less distributions: | | | | | |
| Dividends from net investment income | (0.31) | (0.31) | (0.36) | (0.36) | (0.29) |
| Distributions from net realized gains | — | — | (0.01) | (0.01) | (0.30) |
| Total distributions | (0.31) | (0.31) | (0.37) | (0.37) | (0.59) |
| Net asset value, end of year | \$8.84 | \$8.59 | \$9.55 | \$9.71 | \$9.69 |
| Total return | 6.58% | (6.82)% | 2.23% | 4.02% | 0.94% |
| Ratios/Supplemental Data: | | | | | |
| Net assets, end of year (in thousands) | \$17,652 | \$18,286 | \$21,316 | \$22,806 | \$24,921 |
| Ratio of expenses to average net assets ⁽¹⁾ | 1.41% | 1.31% | 1.12% | 1.21% | 1.39% |
| Ratio of expenses to average net assets ⁽²⁾ | 0.93% | 0.75% | 0.58% | 0.73% | 1.33% |
| Ratio of net investment income to average net assets | 3.51% | 3.50% | 3.77% | 3.67% | 2.91% |
| Portfolio turnover rate | 84% | 90% | 45% | 139% | 131% |

(1) Ratio reflects expenses grossed up for custody credit arrangement and grossed up for the waivers of a portion of the advisory fee by the Adviser and a portion of the service and distribution fees by the Distributor. The ratio of expenses to average net assets, net of custody credits, but exclusive of the fee waivers, would have been 1.40%, 1.22%, 1.05%, 1.18% and 1.37% for the years ended January 31, 2010, 2009, 2008, 2007 and 2006, respectively.

(2) Ratio reflects expenses net of the custody credit arrangement and net of the waiver of a portion of the service and distribution plan fees by the Distributor.

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For more information

Additional information about the Trust's investments is available in the Trust's annual and semi-annual reports to shareholders and quarterly reports filed with the SEC. In the Trust's annual report, you will find a discussion of the market conditions and investment strategies that significantly affected the Trust's performance during its last fiscal year. You can find more detailed information about the Trust in the current Statement of Additional Information dated June 1, 2010, which we have filed electronically with the SEC and which is legally a part of this prospectus. If you want a free copy of the Statement of Additional Information, the annual or semi-annual report, or if you have any questions about investing in this Trust, you can write to the Trust at 220 East 42nd Street, New York, NY 10017-5891 or call toll-free 800-243-2729. You may also obtain the prospectus, Statement of Additional Information and annual and semi-annual reports, free of charge, from the Trust's Internet site at <http://www.vlfunds.com>.

Reports and other information about the Trust are available on the Edgar Database on the SEC Internet site (<http://www.sec.gov>), or you can get copies of this information, after payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing to the Public Reference Section of the SEC, Washington, D.C. 20549-1520. Information about the Trust, including its Statement of Additional Information, can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. You can get information on operation of the public reference room by calling the SEC at 1-202-551-8090.

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