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**SHAREHOLDER
SERVICING AGENT** State Street Bank and Trust Co.
c/o BFDS
P.O. Box 219729
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**INDEPENDENT
REGISTERED PUBLIC
ACCOUNTING FIRM** PricewaterhouseCoopers LLP
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Emily D. Washington
Treasurer and Secretary

A N N U A L R E P O R T
January 31, 2012

*Value Line
New York
Tax Exempt
Trust*



ValueLine*funds*
A FAMILY OF NO-LOAD MUTUAL FUNDS

This audited report is issued for information to shareholders. It is not authorized for distribution to prospective investors unless preceded or accompanied by a currently effective prospectus of the Trust (obtainable from the Distributor).

#00084259

To Our Value Line New York

To Our Shareholders (unaudited):

Enclosed is your annual report for the year ended January 31, 2012. We encourage you to carefully review this report which includes economic observations, your Trust's performance data and highlights, schedule of investments, and financial statements.

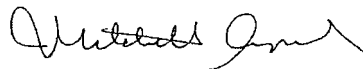
For the twelve months ended January 31, 2012, the total return for the Value Line New York Tax Exempt Trust (the "Trust") was 12.14%. This performance lagged the total return for the Barclays Capital Municipal Bond Index,⁽¹⁾ which posted a total return for the period of 14.10%. The Trust continues to maintain a conservative bias during a period of continued turbulence in the tax exempt market. The underperformance was due primarily to the Trust's overweighting of intermediate maturity holdings which lagged longer maturity bonds. A focus on higher quality credits also detracted from the Trust's returns as the more highly rated credits underperformed the more risky, medium grade credits. Given the continuation of the Federal Reserve's policy keeping interest rates very low, some investors took on more risk in search of higher yielding securities.

The New York municipal bond market, like the broader national market, benefited from a decline in newly issued securities as both states and local governments continued to rein in borrowing. Demand remained strong for municipal bonds, particularly in higher tax states like New York. Although revenues did increase for most states over the past year, tax receipts generally remain below

their pre-recession levels. There was also some modest improvement in job creation, and several states, including New York, enjoyed a lower unemployment rate than the national average. Significant challenges remain, particularly those costs related to public sector health care and pensions.

All of us at the Adviser recognize it was a turbulent year in the municipal bond market and appreciate your confidence in us. We welcome the opportunity to continue serving your investment needs, and continue to seek a high level of current income exempt from federal, New York State, and New York City taxes as is consistent with preservation of capital. This report and other information are available on our website, www.vlfunds.com.

Sincerely,



Mitchell Appel, President



Liane Rosenberg, Portfolio Manager

March 2, 2012

(1) *The Barclays Capital Municipal Bond Index is a total-return performance benchmark for the long-term investment grade tax-exempt bond market. The returns for the Index do not reflect charges, expenses, or taxes and it is not possible to directly invest in this Index.*

Past performance does not guarantee future results. Investment return and principal value of an investment can fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost; and that current performance may be lower or higher than the performance data quoted. Investors should carefully consider the investment objectives, risks, charges and expense of a fund. This and other important information about a fund is contained in the fund's prospectus. A copy of our fund's prospectus can be obtained by going to our website at www.vlfunds.com or calling 800-243-2729.

Tax Exempt Trust Shareholders

Economic Highlights (unaudited)

The first half of 2011 saw the broad U.S. stock market rising on the heels of strengthening corporate profits. The S&P 500 returned 6% for the first six months of the year despite significant global economic concerns. Several members of the European Union continued to face a serious debt crisis including Greece, Portugal, Ireland, and Spain. Further, the nuclear disaster in Japan and the geopolitical upheaval in commodity markets added to investor concerns. At home, disappointing job growth in the United States kept the national unemployment rate firmly above 9% for the second quarter.

By mid-year there was mounting evidence that the U.S. recovery had slowed to a crawl. Consumer spending, which accounts for roughly 70% of economic activity, declined in June for the first time in 2 years. First quarter GDP was up by only 0.4%, and second quarter GDP growth, while stronger, was still disappointing at 1.3%. Employment growth in July lagged June numbers, and it was reported that the level of new factory orders decreased. By August, only 58% of the population was working, the lowest level in nearly 3 decades. Housing prices remained almost uniformly weak. There were additional pressures on the market coming from Europe stemming from the sovereign debt crisis and increasing fears of a double dip recession.

Much of the summer was consumed by the drama of the U.S. debt ceiling negotiations, resulting in an 11th hour deal that appeared to satisfy few constituents. It surely did not satisfy Standard & Poors who felt that the \$2.1 trillion

deficit reduction over 10 years was insufficient to solve the country's debt problem. The rating agency proceeded to downgrade U.S. Treasury debt from AAA to AA+. Within a few days the rating agency imposed the same rating cut on the long-term debt of several U.S. Agencies including Fannie Mae and Freddie Mac. The other major rating agencies, Moody's and Fitch, maintained AAA ratings for U.S. Treasury debt as well as for the U.S. Agencies. Investor confidence plunged on the heels of the debt ceiling debacle and the U.S. Treasury debt downgrade. Returns for the S&P 500 turned negative in August giving up its returns for the year.

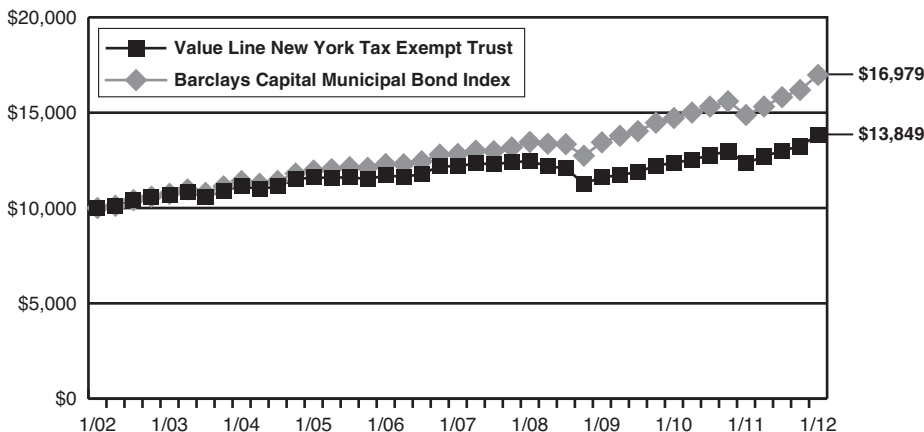
The bond market rallied as stocks took a dive. Yields fell and prices rose across fixed income markets as investors looked for safer havens. Despite the rating downgrade, investor demand for Treasuries soared, and by early September, 10-year Treasury note yields had fallen to an all-time low of 1.90%. This downward pressure on Treasury yields came largely from an employment report showing no new jobs being added in August. While modestly better job creation was reported in September, it was not enough to move the unemployment level below 9.1%.

The market posted a strong rally in final quarter of 2011. Investors increased their purchase of risk assets as news regarding progress in the European debt crisis began to emerge and U.S. economic data came in slightly better than expected. The S&P 500 Index closed out the year with a gain of 2.1%.

(unaudited)

The following graph compares the performance of the Value Line New York Tax Exempt Trust to that of the Barclays Capital Municipal Bond Index (the “Index”). The Value Line New York Tax Exempt Trust is a professionally managed mutual fund, while the Index is not available for investment and is unmanaged. The returns for the Index do not reflect charges, expenses or taxes, but do include the reinvestment of dividends. The comparison is shown for illustrative purposes only.

Comparison of a Change in Value of a \$10,000 Investment in the Value Line New York Tax Exempt Trust and the Barclays Capital Municipal Bond Index*



Performance Data: **

	<u>Average Annual Total Return</u>	<u>Growth of an Assumed Investment of \$10,000</u>
1 year ended 1/31/12	12.14%	\$ 11,214
5 years ended 1/31/12	2.59%	\$ 11,364
10 years ended 1/31/12	3.31%	\$ 13,849

* The Barclays Capital Municipal Bond Index is representative of the broad based fixed income market. It includes long-term investment grade tax-exempt bonds. The returns for the Index do not reflect charges, expenses, or taxes, and it is not possible to directly invest in this unmanaged Index. The return for the Index does not reflect expenses which are deducted from the Trust’s returns.

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

TRUST EXPENSES (unaudited):

Example

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

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (August 1, 2011 through January 31, 2012).

Actual Expenses

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

Hypothetical Example for Comparison Purposes

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

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

	<u>Beginning account value 8/1/11</u>	<u>Ending account value 1/31/12</u>	<u>Expenses paid during period 8/1/11 thru 1/31/12*</u>
Actual	\$1,000.00	\$1,064.60	\$6.04
Hypothetical (5% return before expenses)	\$1,000.00	\$1,019.36	\$5.90

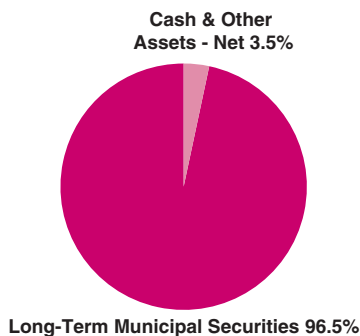
* Expenses are equal to the Trust’s annualized expense ratio of 1.16% multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period. This expense ratio may differ from the expense ratio shown in the Financial Highlights.

Portfolio Highlights at January 31, 2012 (unaudited)

Ten Largest Holdings

Issue	Principal Amount	Value	Percentage of Net Assets
Dormitory Authority, Revenue Bonds, State Personal Income Tax Education, Ser. B, 5.00%, 3/15/28	\$ 500,000	\$ 582,140	3.6%
New York State Environmental Facilities Corp., Revenue Bonds, 5.00%, 6/15/28	\$ 500,000	\$ 581,190	3.6%
Triborough Bridge & Tunnel Authority, Revenue Bonds, Ser. D, 5.00%, 11/15/26	\$ 500,000	\$ 570,580	3.6%
Urban Development Corp., Refunding Service Contract, Revenue Bonds, Ser. B, 5.00%, 1/1/20	\$ 500,000	\$ 556,630	3.5%
Municipal Water Finance Authority, Water and Sewer System Revenue, Revenue Bonds, Ser. C, 4.75%, 6/15/33	\$ 500,000	\$ 531,790	3.3%
Dormitory Authority, Revenue Bonds, Albany Medical Center, Ser. A-1, FSA/FHA Insured, 5.00%, 8/15/18	\$ 485,000	\$ 521,152	3.2%
Transitional Finance Authority, Revenue Bonds, Subordinated Future Tax Secured, Ser. B, 5.00%, 11/1/23	\$ 400,000	\$ 471,524	2.9%
Housing Finance Agency, Revenue Bonds, Ser. A, 5.00%, 3/15/39	\$ 400,000	\$ 440,168	2.7%
General Obligation Unlimited, Fiscal 2008, Subser C-1, FSA Insured, 5.00%, 10/1/24	\$ 350,000	\$ 405,104	2.5%
New York State Environmental Facilities Corp., Revenue Bonds, Ser. A, 5.00%, 6/15/14	\$ 350,000	\$ 387,320	2.4%

Asset Allocation — Percentage of Total Net Assets



Sector Weightings — Percentage of Total Municipal Securities



Schedule of Investments

January 31, 2012

Principal Amount		Rating (unaudited)	Value
LONG-TERM MUNICIPAL SECURITIES (96.5%)			
NEW YORK CITY (35.9%)			
\$ 150,000	Battery Park City Authority, Senior Revenue Bonds, Ser. B, 5.00%, 11/1/34	Aaa	\$ 173,735
90,000	General Obligation Unlimited, Fiscal 2007, Ser. C, 5.00%, 1/1/17	Aa2	106,943
100,000	General Obligation Unlimited, Fiscal 2008, Ser. A-1, 5.00%, 8/1/12 ..	Aa2	102,394
350,000	General Obligation Unlimited, Fiscal 2008, Subser C-1, FSA Insured, 5.00%, 10/1/24	Aa2	405,104
150,000	General Obligation Unlimited, Fiscal 2010, Ser. F, 5.00%, 8/1/16	Aa2	176,453
150,000	General Obligation Unlimited, Fiscal 2011, Ser. I, Subser I-1, 5.00%, 8/1/17	Aa2	181,290
100,000	General Obligation Unlimited, Fiscal 2012, Ser. A-1, 5.00%, 8/1/32 ..	Aa2	115,354
	Health & Hospital Corp., Revenue Bonds, Health Systems, Ser. A: 5.00%, 2/15/14	Aa3	167,564
155,000	5.00%, 2/15/14	Aa3	166,902
150,000	5.00%, 2/15/15	Aa3	285,040
250,000	5.00%, 2/15/16	Aa3	
110,000	Industrial Development Agency, Special Facility Revenue Refunding Bonds, New York Stock Exchange Project, Ser. A, 5.00%, 5/1/29 ..	Aa3	123,245
	Municipal Water Finance Authority, Water and Sewer System Revenue, Revenue Bonds:		
100,000	Ser. B, 5.00%, 6/15/12	Aa1	101,819
50,000	Ser. BB, 5.00%, 6/15/31	Aa2	57,394
500,000	Ser. C, 4.75%, 6/15/33	Aa1	531,790
150,000	Ser. C, 5.00%, 6/15/30	Aa1	165,116
250,000	Ser. DD, 4.50%, 6/15/38	Aa2	262,120
	Municipal Water Finance Authority, Water and Sewer System Revenue, Second General Resolution Revenue Bonds:		
200,000	Ser. GG-1, 5.00%, 6/15/39	Aa2	219,746
150,000	Ser. GG-1, 5.25%, 6/15/32	Aa2	172,221
125,000	Town of Babylon, Public Improvement Bonds, General Obligation Unlimited, 4.50%, 4/1/29	AA+*	139,056
	Transitional Finance Authority, Building Aid Revenue Bonds:		
250,000	Fiscal 2007, Ser. S-1, FGIC Insured, 5.00%, 7/15/23	Aa3	283,987
200,000	Fiscal 2009, Ser. S-5, 5.00%, 1/15/26	Aa3	231,462
200,000	Transitional Finance Authority, Building Aid Revenue Bonds, Fiscal 2012, Subser S-1A, State Aid Withholding Insured, 4.00%, 7/15/21	Aa3	230,322
	Transitional Finance Authority, Revenue Bonds:		
150,000	Subordinated Future Tax Secured, Ser. A, 5.00%, 5/1/30	Aa1	172,221
400,000	Subordinated Future Tax Secured, Ser. B, 5.00%, 11/1/23	Aa1	471,524
150,000	Transitional Finance Authority, Revenue Bonds, Future Tax Secured, Fiscal 2011, Ser. D, 5.00%, 2/1/35	Aa1	170,844

See Notes to Financial Statements.

Schedule of Investments

Principal Amount		Rating (unaudited)	Value
\$ 135,000	Transitional Finance Authority, Revenue Refunding Bonds, Future Tax D-2, NATL-RE FGIC-TCRS Insured, 5.00%, 11/1/13	Aa1	\$ 145,882
250,000	Trust for Cultural Resources Revenue, Refunding Bonds, Museum of Modern Art - 1A, 5.00%, 4/1/28	Aa2	286,500
100,000	Trust for Cultural Resources, Revenue Bonds, Whitney Museum of American Art, 5.25%, 7/1/25	A*	118,734
			5,764,762
	NEW YORK STATE (58.0%)		
100,000	County of Rockland, General Obligation Unlimited, Ser. B, 3.00%, 9/1/21	A1	102,965
150,000	County of Saratoga, New York Public Improvement Bonds, General Obligation Unlimited, Ser. A, 4.00%, 7/15/21	Aa1	170,969
150,000	County of Westchester, General Obligation Unlimited, Ser. A, 3.00%, 10/15/20	Aaa	165,555
	Dormitory Authority, Revenue Bonds:		
485,000	Albany Medical Center, Ser. A-1, FSA/FHA Insured, 5.00%, 8/15/18	Aa3	521,152
250,000	Mental Health Services Facilities Improvement, Ser. B, AMBAC Insured, 5.00%, 2/15/25 (1)	AA-*	269,005
500,000	State Personal Income Tax Education, Ser. B, 5.00%, 3/15/28	AAA*	582,140
400,000	Housing Finance Agency, Revenue Bonds, Ser. A, 5.00%, 3/15/39	AAA*	440,168
	Metropolitan Transportation Authority, New York:		
200,000	Revenue Bonds, Ser. A, AGM Insured, 5.00%, 11/15/36	Aa3	219,970
250,000	Revenue Bonds, Ser. D, 5.00%, 11/15/16	A2	291,667
250,000	Metropolitan Transportation Authority, New York Dedicated Tax Fund, Revenue Bonds, Ser. B, 5.00%, 11/15/34	AA*	276,618
100,000	Metropolitan Transportation Authority, New York, Revenue Refunding Bonds, Ser. C, 5.00%, 11/15/20	A2	122,746
100,000	New York State Dormitory Authority, Cornell University Revenue Bonds, Ser. A, 5.00%, 7/1/40	Aa1	112,480
135,000	New York State Dormitory Authority, Fordham University Revenue Bonds, Ser. B, 5.00%, 7/1/28	Aa3	150,567
100,000	New York State Dormitory Authority, Lease Revenue Bonds, Ser. A, 5.25%, 5/15/13	Aa3	105,804
200,000	New York State Dormitory Authority, Mental Health Services Facilities Improvement, Revenue Bonds, 4.75%, 2/15/19	AA-*	237,750
100,000	New York State Dormitory Authority, Municipal Health Facilities Improvement, Lease Revenue Bonds, 5.00%, 1/15/21	Aa3	115,168
50,000	New York State Dormitory Authority, Revenue Bonds, Ser. D, 5.00%, 3/15/36	AAA*	54,060
150,000	New York State Dormitory Authority, State Personal Income Tax Revenue Bonds, General Purpose, Ser. A, 5.00%, 3/15/31	AAA*	175,085

See Notes to Financial Statements.

January 31, 2012

Principal Amount		Rating (unaudited)	Value
	New York State Environmental Facilities Corp.:		
\$ 350,000	Revenue Bonds, Ser. A, 5.00%, 6/15/14	Aa1	\$ 387,320
125,000	Revenue Bonds, Ser. C, 4.13%, 6/15/22	Aa1	139,321
500,000	New York State Environmental Facilities Corp., Revenue Bonds, 5.00%, 6/15/28	Aa1	581,190
250,000	New York State Local Government Assistance Corp., Revenue Bonds, Refunding & Sub Lien - Ser. B, 5.00%, 4/1/14	AAA*	275,270
100,000	New York State Thruway Authority, Second General Highway and Bridge Trust Revenue Bonds, Ser. A, 5.00%, 4/1/18	AA*	122,421
	New York State Urban Development Corp.:		
250,000	Revenue Bonds, Ser. A-1, 5.00%, 1/1/19	AA-*	300,005
100,000	Revenue Bonds, Ser. B-1, 5.00%, 3/15/17	AAA*	119,879
150,000	Revenue Bonds, Ser. C, 5.00%, 12/15/17	AAA*	183,042
150,000	New York State, General Obligation Unlimited, Ser. A, 3.50%, 2/15/23	Aa2	165,917
100,000	Port Authority of New York & New Jersey, Consolidated Bonds, Revenue Bonds, One Hundred Seventy - First Series, 4.00%, 7/15/38	Aa2	100,652
70,000	Port Authority of New York & New Jersey, Consolidated Bonds, Revenue Bonds, One Hundred Sixtieth Series, Insured, 4.25%, 9/15/34	Aa2	73,867
100,000	Port Authority of New York & New Jersey, Consolidated Bonds, Revenue Bonds, One Hundred Sixty - Sixth Series, General Obligation of Authority Insured, 5.00%, 7/15/33	Aa2	114,169
150,000	Port Authority of New York & New Jersey, Consolidated Bonds, Revenue Bonds, One Hundred Sixty -Third Series, 4.00%, 7/15/27	Aa2	163,704
250,000	Thruway Authority, Revenue Bonds, Second General Highway and Bridge Trust Fund, Ser. A, AMBAC Insured, 5.00%, 4/1/20 (1)	AA*	283,833
175,000	Tobacco Settlement Financing Corp., Revenue Bonds, Asset Backed, Ser. A1, BHAC-CR AMBAC Insured, 5.25%, 6/1/21 (1)	Aa1	185,451
120,000	Town of East Fishkill, New York Public Improvement Bonds, General Obligation Unlimited, AGM Insured, 4.38%, 3/15/29	Aa2	133,561
105,000	Town of Oyster Bay, New York Public Improvement Bonds, General Obligation Unlimited, 3.00%, 8/15/20	AA *	112,128
	Triborough Bridge & Tunnel Authority:		
250,000	Revenue Bonds, Ser. C, 5.00%, 11/15/19	Aa2	308,927
500,000	Revenue Bonds, Ser. D, 5.00%, 11/15/26	Aa3	570,580
250,000	Triborough Bridge & Tunnel Authority, Revenue Bonds, 5.50%, 11/15/19	Aa3	321,042
500,000	Urban Development Corp., Refunding Service Contract, Revenue Bonds, Ser. B, 5.00%, 1/1/20	AA-*	556,630
			<u>9,312,778</u>

See Notes to Financial Statements.

Schedule of Investments

Principal Amount		Rating (unaudited)	Value
	PUERTO RICO (2.6%)		
\$ 250,000	Puerto Rico Electric Power Authority Power Revenue, Revenue Bonds, Ser. TT, 5.00%, 7/1/32	A3	\$ 259,222
150,000	Puerto Rico Public Buildings Authority, Revenue Guaranteed Refunding Government Facilities Bonds, Ser. M, Commonwealth Guaranteed Insured, 5.75%, 7/1/15	Baa1	166,386
			<u>425,608</u>
	TOTAL LONG-TERM MUNICIPAL SECURITIES (96.5%) (Cost \$14,421,153)		<u>15,503,148</u>
	CASH AND OTHER ASSETS IN EXCESS OF LIABILITIES (3.5%)		<u>557,570</u>
	NET ASSETS (100.0%)		<u>\$ 16,060,718</u>
	NET ASSET VALUE OFFERING AND REDEMPTION PRICE, PER OUTSTANDING SHARE (\$16,060,718 ÷ 1,715,413 shares outstanding)		<u>\$ 9.36</u>

* Rated by Moody's Investor Service except for those marked by an asterisk (*) which are rated by Standard & Poor's

(1) In November 2010, AMBAC Financial Group, Inc. (AMBAC) filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code.

AGM Assured Guaranty Municipal
 AMBAC American Municipal Bond Assurance Corporation
 FGIC Financial Guaranty Insurance Company
 FHA Federal Housing Administration
 FSA Financial Security Assurance
 NATL-RE National Public Finance Guarantee Corporation
 TCRS Transferable Custodial Receipts

Statement of Assets and Liabilities at January 31, 2012

Assets:	
Investment securities, at value (Cost - \$14,421,153)	\$15,503,148
Cash	523,430
Interest receivable	163,759
Prepaid expenses	1,587
Total Assets	<u>16,191,924</u>
Liabilities:	
Payable for securities purchased	100,852
Dividends payable to shareholders	7,159
Payable for trust shares redeemed	582
Accrued expenses:	
Advisory fee	5,159
Trustees' fees and expenses	6
Other	17,448
Total Liabilities	<u>131,206</u>
Net Assets	<u>\$16,060,718</u>
Net assets consist of:	
Shares of beneficial interest, at \$0.01 par value (authorized unlimited, outstanding 1,715,413 shares)	\$ 17,154
Additional paid-in capital	16,984,793
Distributions in excess of net investment income	(7,159)
Accumulated net realized loss on investments	(2,016,065)
Net unrealized appreciation of investments	1,081,995
Net Assets	<u>\$16,060,718</u>
Net Asset Value, Offering and Redemption Price per Outstanding Share (\$16,060,718 ÷ 1,715,413 shares outstanding)	
	<u>\$ 9.36</u>

Statement of Operations for the Year Ended January 31, 2012

Investment Income:	
Interest	\$ 572,225
Expenses:	
Advisory fee	95,939
Service and distribution plan fees	39,975
Auditing and legal fees	36,377
Printing and postage	23,826
Custodian fees	16,439
Transfer agent fees	10,652
Trustees' fees and expenses	3,203
Registration and filing fees	2,600
Insurance	2,091
Other	12,001
Total Expenses Before Fees Waived and Custody Credits	<u>243,103</u>
Less: Service and Distribution Plan Fees Waived	(39,975)
Less: Advisory Fees Waived	(35,977)
Less: Custody Credits	(196)
Net Expenses	<u>166,955</u>
Net Investment Income	<u>405,270</u>
Net Realized and Unrealized Gain/(Loss) on Investments:	
Net Realized Gain	45,563
Change in Net Unrealized Appreciation/ (Depreciation)	1,394,987
Net Realized Gain and Change in Net Unrealized Appreciation/(Depreciation) on Investments	<u>1,440,550</u>
Net Increase in Net Assets from Operations	<u>\$1,845,820</u>

See Notes to Financial Statements.

Statement of Changes in Net Assets
for the Years Ended January 31, 2012 and 2011

	Year Ended January 31, 2012	Year Ended January 31, 2011
Operations:		
Net investment income	\$ 405,270	\$ 519,756
Net realized gain on investments	45,563	67,357
Change in net unrealized appreciation/(depreciation)	1,394,987	(602,563)
Net increase/(decrease) in net assets from operations	1,845,820	(15,450)
Distributions to Shareholders:		
Net investment income	(405,270)	(519,756)
Trust Share Transactions:		
Proceeds from sale of shares	227,087	319,869
Proceeds from reinvestment of dividends to shareholders	302,685	374,904
Cost of shares redeemed	(2,037,345)	(1,684,316)
Net decrease in net assets from Trust share transactions	(1,507,573)	(989,543)
Total Decrease in Net Assets	(67,023)	(1,524,749)
Net Assets:		
Beginning of year	16,127,741	17,652,490
End of year	\$ 16,060,718	\$ 16,127,741
Distributions in excess of net investment income, at end of year	\$ (7,159)	\$ (9,503)

Notes to Financial Statements

1. Significant Accounting Policies

Value Line New York Tax Exempt Trust (the “Trust”) is registered under the Investment Company Act of 1940, as amended, as a diversified, open-end management investment company. The investment objective of the Trust 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. The Trust will invest primarily in New York State municipal and public authority debt obligations. The ability of the issuers of the securities held by the Trust to meet their obligations may be affected by economic or political developments in New York State and New York City as well as other regions in which the Trust may invest.

The following significant accounting policies are in conformity with generally accepted accounting principles for investment companies. Such policies are consistently followed by the Trust in the preparation of its financial statements. Generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

(A) Security Valuation: The Trust’s investments are valued each business day by an independent pricing service (the “Service”) approved by the Trustees. Investments for which quoted bid prices are readily available and are representative of the bid side of the market, are valued at quotations obtained by the Service from dealers in such securities. Other investments are valued by the Service, based on methods that include consideration of yields or prices of municipal securities of comparable quality, coupon, maturity, and type, indications as to values from dealers, and general market conditions.

Short term instruments maturing within 60 days are valued at amortized cost, which approximates market value. Other assets and securities for which no quotations are readily

available are valued in good faith at their fair value using methods determined by the Trustees.

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

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access at the measurement date;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;
- Level 3 – Inputs that are unobservable.

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

The following table summarizes the inputs used to value the Trust’s investments in securities as of January 31, 2012:

Investments in Securities:	Level 1	Level 2	Level 3	Total
Assets				
Long-Term Municipal Securities	\$ 0	\$ 15,503,148	\$ 0	\$ 15,503,148
Total Investments in Securities . .	\$ 0	\$ 15,503,148	\$ 0	\$ 15,503,148

January 31, 2012

In May 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2011-04, “*Fair Value Measurements and Disclosures (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*” (“ASU 2011-04”). ASU 2011-04 clarifies the application of existing fair value measurement requirements, changes in certain principles related to measuring fair value, and requires additional disclosures about fair value measurements.

Specifically, the guidance specifies that the concepts of highest and best use and valuation of premise in a fair value measurement are only relevant when measuring the fair value of nonfinancial assets whereas they are not relevant when measuring the fair value of financial assets and liabilities.

Required disclosures are expanded under the new guidance, especially for fair value measurements that are categorized within Level 3 of the fair value hierarchy, for which quantitative information about the unobservable inputs used, and a narrative description of the valuation processes in place and sensitivity of recurring Level 3 measurements to changes in unobservable inputs will be required. Entities will also be required to disclose the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position but for which the fair value is required to be disclosed.

ASU 2011-04 is effective for annual periods beginning after December 15, 2011 and is to be applied prospectively. The Trust is currently assessing the impact of this guidance on its financial statements.

The Trust follows the updated provisions surrounding fair value measurements and disclosures on transfers in and out of all levels of the fair value hierarchy on a gross basis and the reasons for the transfers as well as to disclosures about the valuation techniques and inputs used to measure

fair value for investments that fall in either Level 2 or Level 3 fair value hierarchy.

For the year ended January 31, 2012, there was no significant transfer activity between Level 1 and Level 2.

For the year ended January 31, 2012, there were no Level 3 investments. The Schedule of Investments includes a breakdown of the Schedule’s investments by category.

(C) Distributions: It is the policy of the Trust to distribute all of its net investment income to shareholders. Dividends from net investment income are declared daily and paid monthly. Net realized capital gains, if any, are distributed to shareholders annually. Income dividends and capital gains distributions are automatically reinvested in additional shares of the Trust unless the shareholder has requested otherwise. Income earned by the Trust on weekends, holidays and other days on which the Trust is closed for business is declared as a dividend on the next day on which the Trust is open for business.

The amount of dividends and distributions from net investment income and net realized gains are determined in accordance with federal income tax regulations, which may differ from generally accepted accounting principles. These “book/tax” differences are either considered temporary or permanent in nature. Permanent differences are reclassified within the capital accounts based on their federal tax-basis treatment. Temporary differences do not require reclassification.

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

Management has analyzed the Trust’s tax positions taken on federal and state income tax returns for all open tax

Notes to Financial Statements

years (fiscal years ended January 31, 2009 through January 31, 2012), and has concluded that no provision for federal or state income tax is required in the Trust's financial statements. The Trust's federal and state income tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

(E) Security Transactions: Securities transactions are recorded on a trade date basis. Realized gains and losses from security transactions are recorded on the identified-cost basis. Interest income, adjusted for amortization of premium and accretion of discounts on investments, is earned from settlement date and recognized on the accrual basis.

Securities purchased or sold on a when-issued or delayed-delivery basis may be settled a month or more after the trade date.

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

(G) Subsequent Events: On February 17, 2012, the Board of Trustees of the Trust has approved an Agreement and Plan of Reorganization pursuant to which the Trust's shareholders would become shareholders of The Value Line Tax Exempt Fund, Inc., which is another fund within the Value Line Funds. The closing of the reorganization is expected to occur on or about May 18, 2012, subject to certain conditions, including that the Trust's shareholders also approve the Agreement and Plan of Reorganization.

A special meeting of the Trust's shareholders is scheduled to be held on May 17, 2012. Management has evaluated all subsequent transactions and events through the date on which these financial statements were issued, and except as already included in the notes to these financial statements, has determined that no additional items require disclosure.

2. Trust Share Transactions and Distributions to Shareholders

Transactions in shares of beneficial interest were as follows:

	<u>Year Ended January 31, 2012</u>	<u>Year Ended January 31, 2011</u>
Shares sold	25,279	35,769
Shares issued to shareholders in reinvestment of dividends.	33,901	42,137
Shares redeemed	<u>(228,648)</u>	<u>(190,273)</u>
Net decrease	<u>(169,468)</u>	<u>(112,367)</u>
Dividends per share from net investment income	<u>\$ 0.2257</u>	<u>\$ 0.2703</u>

3. Purchases and Sales of Securities

Purchases and sales of municipal securities, excluding short-term securities, were as follows:

	<u>Year Ended January 31, 2012</u>
Purchases:	
Long-term obligations	<u>\$ 4,941,662</u>
Maturities or Sales:	
Long-term obligations	<u>\$ 6,495,956</u>

4. Income Taxes

At January 31, 2012, information on the tax components of capital is as follows:

Cost of investments for tax purposes	<u>\$14,421,153</u>
Gross tax unrealized appreciation	\$ 1,081,995
Gross tax unrealized depreciation	<u>—</u>
Net tax unrealized appreciation on investments	<u>\$ 1,081,995</u>
Capital loss carryforward, expires	
January 31, 2017	<u>\$ (455,212)</u>
January 31, 2018	<u>\$ (1,413,249)</u>
January 31, 2019	<u>\$ (147,604)</u>

During the year ended January 31, 2012, as permitted under federal income tax regulations, the Trust utilized \$45,563 of capital loss carryforwards.

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

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

The tax composition of distributions to shareholders for the years ended January 31, 2012 and January 31, 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Municipal bond income	\$ 402,499	\$505,028
Taxable ordinary income	2,771	14,728
	<u>\$ 405,270</u>	<u>\$519,756</u>

Permanent book/tax differences relating to the current year were reclassified within the composition of the net asset accounts. The Trust decreased distributions in excess of net investment income by \$2,344 and decreased additional paid-in-capital by \$2,344. Net assets are not affected by

this reclassification. These reclasses are primarily due to differing treatments of distributions for tax purposes.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (“the Act”) was signed by the President. Under the Act, net capital losses recognized by the Trust after January 31, 2011, may get carried forward indefinitely, and retain their character as short-term and/or long term losses. Prior to this Act pre-enactment net capital losses incurred by the Trust were carried forward for eight years and treated as short-term losses. The Act requires under the transition that post-enactment net capital losses are used before pre-enactment net capital losses.

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

An advisory fee of \$95,939 was paid or payable to EULAV Asset Management (the “Adviser”) for the year ended January 31, 2012. This fee was computed at an annual rate of 0.60% of the Trust’s average daily net assets during the period. The Adviser provides research, investment programs, supervision of the investment portfolio and pays costs of administrative services, office space, and compensation of administrative, bookkeeping, and clerical personnel necessary for managing the affairs of the Trust. The Adviser also provides persons, satisfactory to the Trustees, to act as officers and employees of the Trust and pays their salaries. Effective June 1, 2007 through May 31, 2012, the Adviser contractually agreed to reduce the Trust’s advisory fee by 0.225% for one year periods. The fees waived amounted to \$35,977 for the year ended January 31, 2012. The Adviser has no right to recoup previously waived amounts.

The Trust has a Service and Distribution Plan (the “Plan”), adopted pursuant to Rule 12b-1 under the Investment Company Act of 1940, which compensates EULAV Securities LLC (the “Distributor”) for advertising, marketing and distributing the Trust’s shares and for

Notes to Financial Statements

servicing the Trust's shareholders at an annual rate of 0.25% of the Trust's average daily net assets. Effective June 1, 2007 through May 31, 2012, the Distributor contractually agreed to waive the 12b-1 fee for one year periods. Fees amounting to \$39,975 before fee waivers were accrued under the Plan for the year ended January 31, 2012. For the year ended January 31, 2012, all 12b-1 fees were waived. The Distributor has no right to recoup previously waived amounts.

For the year ended January 31, 2012, the Trust's expenses were reduced by \$196 under a custody credit arrangement with the custodian.

Direct expenses of the Trust are charged to the Trust while common expenses of the Value Line Funds are allocated proportionately based upon the Funds' respective net assets. The Trust bears all other costs and expenses.

Certain officers, and a Trustee of the Adviser are also officers and a Trustee of the Trust. At January 31, 2012, the officers and Trustee as a group owned 278 shares of beneficial interest in the Trust, representing less than 1% of the outstanding shares.

Financial Highlights

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

	Years Ended January 31,				
	2012	2011	2010	2009	2008
Net asset value, beginning of year	\$ 8.56	\$ 8.84	\$ 8.59	\$ 9.55	\$ 9.71
Income from investment operations:					
Net investment income	0.23	0.27	0.30	0.31	0.36
Net gains or (losses) on securities (both realized and unrealized)	0.80	(0.28)	0.26	(0.96)	(0.15)
Total from investment operations	1.03	(0.01)	0.56	(0.65)	0.21
Less distributions:					
Dividends from net investment income	(0.23)	(0.27)	(0.31)	(0.31)	(0.36)
Distributions from net realized gains	—	—	—	—	(0.01)
Total distributions	(0.23)	(0.27)	(0.31)	(0.31)	(0.37)
Net asset value, end of year	\$ 9.36	\$ 8.56	\$ 8.84	\$ 8.59	\$ 9.55
Total return	12.14%	(0.18)%	6.58%	(6.82)%	2.23%
Ratios/Supplemental Data:					
Net assets, end of year (in thousands)	\$ 16,061	\$16,128	\$17,652	\$18,286	\$21,316
Ratio of expenses to average net assets ⁽¹⁾	1.52%	1.36% ⁽²⁾	1.41%	1.31%	1.12%
Ratio of expenses to average net assets ⁽³⁾	1.04%	0.87% ⁽⁴⁾	0.93%	0.75%	0.58%
Ratio of net investment income to average net assets	2.53%	3.04%	3.51%	3.50%	3.77%
Portfolio turnover rate	32%	43%	84%	90%	45%

- (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 all or a portion of the service and distribution plan 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% for the year ended January 31, 2010, 1.22% for the year ended January 31, 2009, 1.05% for the year ended January 31, 2008 and would have been unchanged for the other years shown.
- (2) Ratio reflects expenses grossed up for the reimbursement by Value Line, Inc. of certain expenses incurred by the Trust.
- (3) Ratio reflects expenses net of the custody credit arrangement and net of the waivers of a portion of the advisory fee by the Adviser and all or a portion of the service and distribution plan fees by the Distributor.
- (4) Ratio reflects expenses net of the reimbursement by Value Line, Inc. of certain expenses incurred by the Trust.

See Notes to Financial Statements.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Value Line New York Tax Exempt Trust:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Value Line New York Tax Exempt Trust (the “Trust”) at January 31, 2012, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Trust’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company

Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at January 31, 2012 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
New York, New York

March 23, 2012

**FACTORS CONSIDERED BY THE BOARD IN APPROVING CONTINUANCE OF
THE INVESTMENT ADVISORY AGREEMENT
FOR VALUE LINE NEW YORK TAX EXEMPT TRUST**

The Investment Company Act of 1940 (the “1940 Act”) requires the Board of Trustees (the “Board”), including a majority of Trustees who are not “interested persons” of Value Line New York Tax Exempt Trust (the “Trust”), as that term is defined in the 1940 Act (the “Independent Trustees”), to annually consider the continuance of the Trust’s investment advisory agreement (“Agreement”) with its investment adviser, EULAV Asset Management.¹

In considering whether the continuance of the Agreement was in the best interests of the Trust and its shareholders, the Board requested and the Adviser provided such information as the Board deemed to be reasonably necessary to evaluate the terms of the Agreement. At meetings held throughout the year, including the meeting specifically focused upon the review of the Agreement, the Independent Trustees met in executive sessions separately from the non-Independent Trustee of the Trust and any officers of the Adviser. In selecting the Adviser and approving the continuance of the Agreement, the Independent Trustees relied upon the assistance of counsel to the Independent Trustees.

Both in the meeting that specifically addressed the continuance of the Agreement and at other meetings, the Board, including the Independent Trustees, received materials relating to the Adviser’s investment and management services under the Agreement. These materials included information on: (i) the investment performance of the Trust, compared to a peer group of funds consisting of the Trust and all retail and institutional New York municipal debt funds regardless of asset size or primary channel of distribution (the “Performance Universe”), and its benchmark index, each as classified by Lipper Inc., an independent evaluation service (“Lipper”); (ii) the investment process, portfolio holdings, investment restrictions, valuation procedures, and financial statements for the Trust; (iii) sales and redemption data with respect to the Trust; (iv) the general investment outlook in the markets in which the Trust invests; (v) arrangements with respect to the distribution of the Trust’s shares; (vi) the allocation and cost of the Trust’s brokerage (none of which was effected through any affiliate of the Adviser); and (vii) the overall nature, quality and extent of services provided by the Adviser.

As part of their review, the Board requested, and the Adviser provided, additional information in order to evaluate the quality of the Adviser’s services and the reasonableness of its fees under the Agreement. In a separate executive session, the Independent Trustees reviewed information, which included data comparing: (i) the Trust’s management fee rate, transfer agent and custodian fee rates, service fee (including 12b-1 fees) rates, and the rate of the Trust’s other non-management fees, to those incurred by a peer group of funds consisting of the Trust and 9 other retail no-load New York municipal debt funds (excluding outliers), as selected objectively by Lipper (“Expense Group”), and a peer group of funds consisting of the Trust, the Expense Group and all other retail no-load New York municipal debt funds (excluding outliers), as selected objectively by Lipper (“Expense Universe”); (ii) the Trust’s expense ratio to those of its Expense Group and Expense Universe; and (iii) the Trust’s investment performance over various time periods to the average performance of the Performance Universe as well as the appropriate Lipper Index, as selected objectively by Lipper (the “Lipper Index”).

¹ For periods prior to December 23, 2010, the term “Adviser” means the Adviser’s predecessor entities that previously served as the Trust’s adviser, EULAV Asset Management, LLC and Value Line, Inc. (“VLI”). In accordance with the 1940 Act, the Agreement had a two-year initial term ending December 2012. Nevertheless, the Board determined to consider the Agreement’s continuance annually and undertook that review in June 2011.

In the separate executive session, the Independent Trustees also reviewed information regarding: (a) the financial results and condition of the Adviser both before and after its restructuring on December 23, 2010,² and the Adviser's and certain of its affiliates' profitability from the services that have been performed for the Trust and the Value Line family of funds; (b) the Adviser's investment management staffing and resources; (c) the ownership, control and day-to-day management of the Adviser, including representations of VLI that it does not "control" (as that term is defined in the 1940 Act) either the Adviser or Value Line Securities, Inc. (the "Distributor")³ after the restructuring; and (d) the Trust's potential for achieving economies of scale. In support of its review of the statistical information, the Board was provided with a detailed description of the methodology used by Lipper to determine the Expense Group, the Expense Universe and the Performance Universe to prepare its information.

The following summarizes matters considered by the Board in connection with its continuance of the Agreement. However, the Board did not identify any single factor as all-important or controlling, and the summary does not detail all the matters that were considered.

Investment Performance. The Board reviewed the Trust's overall investment performance and compared it to its Performance Universe and the Lipper Index. The Board noted that the Trust outperformed the Performance Universe average and the Lipper Index for the one-year period ended March 31, 2011, but underperformed the Performance Universe average and the Lipper Index for the three-year, five-year and ten-year periods ended March 31, 2011.

The Adviser's Personnel and Methods. The Board reviewed the background of the portfolio manager responsible for the daily management of the Trust's portfolio, seeking to achieve the Trust's investment objective and adhering to the Trust's investment strategies. The Independent Trustees also engaged in discussions with the Adviser's senior management responsible for the overall functioning of the Trust's investment operations. The Board viewed favorably (i) the Adviser's commitment of resources to acquire analytic tools in support of the portfolio management and compliance functions, (ii) actions taken by the Adviser to attract and retain personnel, including improvements to the Adviser's employee benefit programs and increased merit-based compensation for certain staff members, and (iii) that the Adviser continues to receive the Value Line ranking systems without cost. The Board concluded that the Trust's management team and the Adviser's overall resources were adequate and that the Adviser had investment management capabilities and personnel essential to performing its duties under the Agreement.

Management Fee and Expenses. The Board considered the Adviser's fee rate under the Agreement relative to the management fee rates applicable to the funds in the Expense Group and Expense Universe averages, both before and after applicable fee waivers. The Board noted that the Adviser and the Board previously agreed that the Adviser would contractually waive a portion of the Trust's management fee, thereby reducing the management fee rate from 0.60% to 0.375% of the Trust's average daily net assets for the one-year period ended May 31, 2011 and that the Adviser and the Board had agreed to extend this contractual management fee waiver through May 31, 2012. Such waiver cannot be changed during the contractual waiver period without the Board's approval. Before giving effect to this fee waiver and fee waivers applicable to certain funds in the Expense Group, the Board noted that, for the most recent fiscal year for which audited financial data is available, the Trust's management fee rate was more than that of

² On December 23, 2010, the Adviser was restructured as a Delaware statutory trust and renamed EULAV Asset Management. It had formerly been organized as a limited liability company named EULAV Asset Management, LLC.

³ On December 23, 2010, the Distributor was restructured as a Delaware limited liability company with the name EULAV Securities LLC and became a wholly-owned subsidiary of the Adviser. No other changes were made to the Distributor's organization, including its operations and personnel.

Value Line New York Tax Exempt Trust

the Expense Group average. After giving effect to fee waivers applicable to the Trust and certain funds in the Expense Group and Expense Universe, the Board noted that, for the most recent fiscal year for which audited financial data is available, the Trust's management fee rate was less than that of both the Expense Group average and the Expense Universe average. The Board concluded that the Trust's management fee rate was satisfactory for the purpose of approving continuance of the Agreement.

The Board also considered the Trust's total expense ratio relative to its Expense Group and Expense Universe averages. The Board noted that the Distributor and the Board previously agreed that the Distributor would contractually waive a portion of the Trust's Rule 12b-1 fee, effectively reducing the Trust's Rule 12b-1 fee rate from 0.25% to 0.00% of the Trust's average daily net assets for the one-year period ended May 31, 2011 and that the Distributor and the Board had agreed to extend this contractual Rule 12b-1 fee waiver through May 31, 2012. Such waiver cannot be changed during the contractual waiver period without the Board's approval. The Board noted that, for the most recent fiscal year for which audited financial data is available, the Trust's expense ratio was higher than that of the Expense Group average and the Expense Universe average, after giving effect to fee waivers applicable to the Trust and certain funds in the Expense Group and Universe. The Board concluded that the average expense ratio was satisfactory for the purpose of approving continuance of the Agreement.

Nature, Extent and Quality of Services. The Board considered the nature, extent and quality of other services provided by the Adviser and the Distributor. At meetings held throughout the year, the Board reviewed the resources and effectiveness of the Adviser's overall compliance program, as well as the services provided by the Distributor. The Board viewed favorably the additional resources devoted by the Adviser to enhance its and the Trust's overall compliance program as well as steps being undertaken to enhance the shareholders' experience with the Trust, such as a more robust website. The Board reviewed the services provided by the Adviser and its affiliates in supervising the Trust's third party service providers. Based on this review, the Board concluded that the nature, quality, cost, and extent of such other services provided by the Adviser and its affiliates were satisfactory, reliable and beneficial to the Trust's shareholders.

Profitability. The Board considered the level of profitability of the Adviser and its affiliates with respect to the Trust individually and in the aggregate for all the funds within the Value Line group of funds, including the impact of the restructuring and certain actions taken during prior years. These actions included the reduction (voluntary in some instances and contractual in other instances) of management and/or Rule 12b-1 fees for certain funds, the Adviser's termination of the use of soft dollar research, and the cessation of trading through the Distributor. The Board also considered the Adviser's continued attention to the rationalization and differentiation of funds within the Value Line group of funds to better identify opportunities for savings and efficiencies among the funds. The Board concluded that the profitability of the Adviser and its affiliates with respect to the Trust, including the financial results derived from the Trust's Agreement, were within a range the Board considered reasonable.

Other Benefits. The Board also considered the character and amount of other direct and incidental benefits received by the Adviser and its affiliates from their association with the Trust. The Board concluded that potential "fall-out" benefits that the Adviser and its affiliates may receive, such as greater name recognition, appear to be reasonable, and may in some cases benefit the Trust.

Economies of Scale. The Board considered that, given the current and anticipated size of the Trust, any perceived and potential economies of scale were not yet a significant consideration for the Trust and that the addition of break points to the fee structure was not currently necessary.

Fees and Services Provided for Other Comparable Funds/Accounts Managed by the Adviser and its Affiliates. The Board was informed by the Adviser that the Adviser does not manage any non-mutual fund account that has similar objectives and policies as those of the Trust.

Conclusion. The Board examined the totality of the information it was provided at the meeting specifically addressing approval of the Agreement and at other meetings held during the past year and did not identify any single controlling factor. Based on its evaluation of all material factors deemed relevant and with the advice of independent counsel, the Board concluded that the rate at which the Trust pays a management fee to the Adviser under the Agreement does not constitute a fee that is so disproportionately large as to bear no reasonable relationship to the services rendered and that could not have been the product of arm's-length bargaining. Further, the Board concluded that the Trust's Agreement, and the management fee rate thereunder, is fair and reasonable and voted to continue the Agreement as in the best interest of the Trust and its shareholders.

Federal Tax Notice (unaudited)

During the year ended January 31, 2012, the Trust paid to shareholders \$0.2257 per share from net investment income, of which 99.89% are designated as exempt interest dividends for federal tax purposes. However, state and local taxes differ from state to state and a portion of the dividends may be subject to the individual Alternative Minimum Tax, so it is suggested if you are a corporation, partnership, estate, trust or an individual who is not a resident of New York State that you consult your own tax adviser with respect to those taxes.

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

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

Management of the Trust

MANAGEMENT INFORMATION

The business and affairs of the Trust are managed by the Trust's officers under the direction of the Board of Trustees. The following table sets forth information on each Trustee and Officer of the Trust. Each Trustee serves as a director or trustee of each of the 13 Value Line Funds. Each Trustee serves until his or her successor is elected and qualified.

Name, Address, and YOB	Position	Length of Time Served	Principal Occupation During the Past 5 Years	Other Directorships Held by Trustee
Interested Trustee*				
Mitchell E. Appel YOB: 1970	Trustee	Since 2010	President of each of the Value Line Funds since June 2008; Chief Financial Officer of Value Line, Inc. ("Value Line") from April 2008 to December 2010 and from September 2005 to November 2007; Director from February 2010 to December 2010; Chief Financial Officer of XTF Asset Management from November 2007 to April 2008; Chief Financial Officer of the Distributor since April 2008 and President since February 2009; President of the Adviser since February 2009, Trustee since December 2010 and Treasurer since January 2011.	None
Non-Interested Trustees				
Joyce E. Heinzerling 500 East 77th Street New York, NY 10162 YOB: 1956	Trustee	Since 2008	President, Meridian Fund Advisers LLC. (consultants) since April 2009; General Counsel, Archery Capital LLC (private investment fund) until April 2009.	Burnham Investors Trust, since 2004 (4 funds).
Francis C. Oakley 54 Scott Hill Road Williamstown, MA 01267 YOB: 1931	Trustee	Since 2000	Professor of History, Williams College, (1961–2002). Professor Emeritus since 2002; President Emeritus since 1994 and President, (1985–1994); Chairman (1993–1997) and Interim President (2002–2003) of the American Council of Learned Societies. Trustee since 1997 and Chairman of the Board since 2005, National Humanities Center.	None
David H. Porter 5 Birch Run Drive Saratoga Springs, NY 12866 YOB: 1935	Trustee	Since 1997	Professor, Skidmore College since 2008; Visiting Professor of Classics, Williams College, (1999–2008); President Emeritus, Skidmore College since 1999 and President, (1987–1998).	None

Management of the Trust

Name, Address, and YOB	Position	Length of Time Served	Principal Occupation During the Past 5 Years	Other Directorships Held by Trustee
Paul Craig Roberts 169 Pompano St. Panama City Beach, FL 32413 YOB: 1939	Trustee	Since 1987	Chairman, Institute for Political Economy.	None
Nancy-Beth Sheerr 1409 Beaumont Drive Gladwyne, PA 19035 YOB: 1949	Trustee	Since 1996	Senior Financial Adviser, Veritable L.P. (Investment Adviser).	None
Daniel S. Vandivort 59 Indian Head Road Riverside, CT 06878 YOB: July 1954	Trustee (Lead Independent Trustee since 2010)	Since 2008	President, Chief Investment Officer, Weiss, Peck and Greer/Robeco Investment Management (2005–2007); Managing Director, Weiss, Peck and Greer, (1995–2005).	None
Officers				
Mitchell E. Appel YOB: 1970	President	Since 2008	President of each of the Value Line Funds since June 2008; Chief Financial Officer of Value Line from April 2008 to December 2010 and from September 2005 to November 2007; Director from February 2010 to December 2010; Chief Financial Officer of XTF Asset Management from November 2007 to April 2008; Chief Financial Officer of the Distributor since April 2008 and President since February 2009; President of the Adviser since February 2009, Trustee since December 2010 and Treasurer since January 2011.	
Michael J. Wagner YOB: 1950	Chief Compliance Officer	Since 2009	Chief Compliance Officer of Value Line Funds since June 2009; President of Northern Lights Compliance Services, LLC (formerly Fund Compliance Services, LLC (2006 – present)) and Senior Vice President (2004–2006) and President and Chief Operations Officer (2003–2006) of Gemini Fund Services, LLC; Director of Constellation Trust Company until 2008.	
Emily D. Washington YOB: 1979	Treasurer and Secretary	Since 2008	Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer) of each of the Value Line Funds since August 2008 and Secretary since 2010; Associate Director of Mutual Fund Accounting at Value Line until August 2008.	

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

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

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

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The Value Line Family of Funds

1950 — The Value Line Fund seeks long-term growth of capital. Current income is a secondary objective.

1952 — Value Line Income and Growth Fund's primary investment objective is income, as high and dependable as is consistent with reasonable risk. Capital growth to increase total return is a secondary objective.

1956 — Value Line Premier Growth Fund seeks long-term growth of capital. No consideration is given to current income in the choice of investments.

1972 — Value Line Larger Companies Fund's sole investment objective is to realize capital growth.

1979 — Value Line U.S. Government Money Market Fund, a money market fund, seeks to secure as high a level of current income as is consistent with maintaining liquidity and preserving capital. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.

1981 — Value Line U.S. Government Securities Fund seeks maximum income without undue risk to capital. Under normal conditions, at least 80% of the value of its net assets will be invested in securities issued or guaranteed by the U.S. Government and its agencies and instrumentalities.

1983 — Value Line Centurion Fund* seeks long-term growth of capital.

1984 — The Value Line Tax Exempt Fund seeks to provide investors with the maximum income exempt from federal income taxes while avoiding undue risk to principal. The fund may be subject to state and local taxes and the Alternative Minimum Tax (if applicable).

1986 — Value Line Aggressive Income Trust seeks to maximize current income.

1987 — Value Line New York Tax Exempt Trust seeks 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. The Trust may be subject to state and local taxes and the Alternative Minimum Tax (if applicable).

1987 — Value Line Strategic Asset Management Trust* seeks to achieve a high total investment return consistent with reasonable risk.

1993 — Value Line Emerging Opportunities Fund invests in US common stocks of small capitalization companies, with its primary objective being long-term growth of capital.

1993 — Value Line Asset Allocation Fund seeks high total investment return, consistent with reasonable risk. The Fund invests in stocks, bonds and money market instruments utilizing quantitative modeling to determine the asset mix.

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

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