



VALUE LINE

No-Load Mutual Funds

# ACCOUNT APPLICATION

DO NOT USE FOR RETIREMENT PLANS  
(This Form May Be Copied)

Sign Application on Reverse Side

Mail completed forms and all checks to:

Value Line Funds  
c/o NFDS  
PO Box 219729  
Kansas City, MO 64121-9729

For Application Assistance or Retirement Plan Information Call **1-800-223-0818**

## 1 REGISTRATION — PLEASE PRINT OR TYPE

Circle the Social Security number to be used for tax purposes. If no number is circled, the first number provided will be used.

Individual use line 1

and, if any, Joint Registrant use line 2

or

Gift to Minors use lines 3, 4 & 5

or

Corporations, Partnerships, Trusts & Others use lines 6, 7 & 8

1. \_\_\_\_\_  
First Name Initial Last Name Soc. Sec. No.

2. \_\_\_\_\_  
Right of survivorship presumed, unless tenancy in common is indicated. Soc. Sec. No.

3. \_\_\_\_\_  
Custodian's Name as Custodian for

4. \_\_\_\_\_  
Minor's Name under the

5. \_\_\_\_\_ Uniform Gifts to Minors Act. \_\_\_\_\_  
State Minor's Soc. Sec. No.

6. \_\_\_\_\_  
Name of Corporation, Partnership, Trust or Other Entity. Taxpayer Ident. No.

7. \_\_\_\_\_  
Names of Trustees to be In Registration Date of Trust Agreement

8. If a Trust, provide name(s) of beneficiary: \_\_\_\_\_

## 2 MAILING ADDRESS — PLEASE PRINT OR TYPE

Street Address \_\_\_\_\_ Apt.#/Bldg \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Citizenship if not U.S. \_\_\_\_\_  
( )

(Area Code) Home Phone No. \_\_\_\_\_  
( )

(Area Code) Business Phone No. \_\_\_\_\_

Occupation: \_\_\_\_\_

## 3 FUND(S) SELECTION — Minimum initial investment: \$1,000 for each Value Line fund.

* Cash .....	\$ _____	(02)	Value Line Fund .....	\$ _____	(05)
* Convertible .....	\$ _____	(04)	Income and Growth .....	\$ _____	(01)
* Aggressive Income .....	\$ _____	(31)	Leveraged Growth .....	\$ _____	(29)
* U.S. Government .....	\$ _____	(10)	†* NY Tax Exempt .....	\$ _____	(08)
Tax Exempt National Bond .....	\$ _____	(44)	Emerging Opportunities .....	\$ _____	(16)
* Tax Exempt Money Market .....	\$ _____	(13)	Asset Allocation .....	\$ _____	(17)
Special Situations .....	\$ _____	(03)	U.S. Multinational Company .....	\$ _____	(18)

(\*) Check Redemption and Telephone Redemption Privileges available.  
(†) Available only to residents of New York, Connecticut, New Jersey, and Florida.

## 4 INVESTMENT SOURCE

By Check \$ \_\_\_\_\_ (Please make check payable to **NFDS-Agent**.)

By Wire\* \$ \_\_\_\_\_

\* Please call NFDS at 1-800-243-2729 for account number before wiring funds. Account No. \_\_\_\_\_

## 5 DISTRIBUTION OPTION — See Prospectus for details. If no box is checked, all distributions will be reinvested.

All distributions will be reinvested.

All cash distributions will be invested in \_\_\_\_\_ (NAME OF OTHER FUND)

All distributions will be paid in cash.

Dividends will be paid in cash and capital gains distributions reinvested. Account No. \_\_\_\_\_

Dividends will be reinvested and capital gains will be paid in cash.

### EXPEDITED DISTRIBUTION SERVICE\*

Dividend Payment Authorization

I authorize the Fund to electronically transfer any cash distributions, as specified above, to my commercial bank account as follows:  
OR

I authorize the Fund to mail any cash distributions, as specified above, to my bank account as follows:

\* ATTACH COPY OF VOIDED CHECK OR DEPOSIT SLIP FROM YOUR BANKING INSTITUTION.

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## 6 SHAREHOLDER PRIVILEGES

These privileges are subject to the terms set forth in the Prospectus.

**A. Check Redemption Privilege** — Available only from eligible Funds indicated in Section 3. **Complete signature card below.**

Yes  No Permits redemption of shares by use of redemption checks. (Minimum check \$500.)

RAPP7-01

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### AVAILABLE ONLY ON FUNDS OFFERING CHECK REDEMPTION (See Section 3)

SIGNATURE CARD

CO FD

ACCOUNT NO.

IMPORTANT: By signing this card the undersigned agrees to be subject to the rules on the reverse side.

DATE: \_\_\_\_\_ Number of signatures required on draft  
checks: one  two  all

PLEASE SIGN BELOW

1 \_\_\_\_\_

2 \_\_\_\_\_

3 \_\_\_\_\_

4 \_\_\_\_\_

## 6 SHAREHOLDER PRIVILEGES — (continued)

**B. Telephone Redemption Privilege** — Available only from eligible Funds indicated by asterisk in Section 3. \$1000 minimum.

I (we) authorize the Fund, upon receipt of instructions received by telephone from any person, to redeem shares from my (our) account; to make checks payable as account is registered and mail to address of record or wire the proceeds of redemptions to my (our) commercial bank account as follows:

NAME (ON BANK ACCOUNT)	ADDRESS OF BANK		
BANK ACCOUNT NUMBER	CITY	STATE	ZIP
NAME OF BANK	ABA ROUTING NUMBER		

I (we) understand and agree to hold harmless NFDS, the Funds, their respective investment advisors, distributors and transfer agents, and the officers, directors, employees and agents thereof against any liability, damage, expense, claim or loss, including reasonable costs and attorney's fees, resulting from acceptance of, or acting or failure to act upon, this Authorization.

**C. Systematic Cash Withdrawal Program** — There must be a minimum of \$5,000 in the selected Fund to initiate this plan.

Fund name \_\_\_\_\_ Amount of Check (minimum \$25) \_\_\_\_\_

Payment should be made monthly OR  In the month(s) circled below:

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC

I (we) understand that said amount starting (month) \_\_\_\_\_ will be redeemed from the Fund designated above and mailed or electronically transferred as specified below. I (we) understand that by selecting this program all dividends and distributions credited to my (our) account must be reinvested regardless of the option selected in Section 5 and all shares must be on deposit with NFDS, not in certificate form.

**Payment Instructions (choose one):**

Mail as the account is registered OR

Mail as listed at right OR

Electronically transfer to the commercial bank account as listed at right.\*

PAYEE

ADDRESS

CITY

STATE

ZIP

BANK ACCOUNT NUMBER AND BANK ACCOUNT NAME, IF APPLICABLE

\*ATTACH COPY OF VOIDED CHECK OR DEPOSIT SLIP FROM YOUR BANKING INSTITUTION

**D. Telephone Exchange Privilege** — \$1,000 Minimum

No  Unless the "NO" box is checked, the shareholder(s) authorize(s) NFDS to establish Telephone Exchange Privileges between all the eligible Value Line Funds.

**E. Telephone Purchase Authorization** — Not available to shareholders of the Tax Exempt Money Market Portfolio and Cash Fund — Minimum purchase \$250. New shares will carry the same registration as original shares.

YES  NO Permits purchase of shares by telephone.

**F. Account Balance / Telephone Consent** — Authorizes *information only*. Not exchanges or redemptions.

No  Unless the "NO" box is checked, the shareholder(s) authorize(s) NFDS to respond to telephone inquiries from persons reasonably believed to be the shareholder(s).

## 7 DEALERS AND ADVISORS ONLY

If certification below is executed, duplicate transaction advices will be sent to the address indicated below.

Print Name \_\_\_\_\_ Tel No. ( ) \_\_\_\_\_

Company Name \_\_\_\_\_ Dealer Number if Known \_\_\_\_\_

Address \_\_\_\_\_

## 8 SIGNATURE — AND TAXPAYER IDENTIFICATION NUMBER CERTIFICATION

**All registrants MUST sign. An account may not be established until a properly completed SIGNED application has been received by NFDS (on accounts established via wire, no redemptions or exchange from the account will be processed).**

I (we) have full right, authority, and legal capacity and am (are) of legal age in state of residence to purchase shares of the designated Fund(s). I (we) affirm that I (we) have received and read the current prospectus of the designated Fund(s) and agree to its terms. I (we) believe each investment in the designated Fund(s) is suitable for me (us).

I (we) agree that National Financial Data Services (NFDS), the designated Fund(s), Value Line Securities, Inc., Value Line, Inc., or their officers or employees, will not be liable for any loss, expense or cost for acting upon any instructions, either written or by telephone, or inquiries believed to be genuine. If section 7 (Dealers and Advisors only) has been completed, I (we) authorize said Dealer or Advisor to act on my (our) behalf by telephone instructions.

**The Internal Revenue Service requires that all taxpayers provide their Taxpayer Identification Number or Social Security Number in the space provided in Section 1 of the Application and certify to its correctness by signing below. Failure by non-exempt taxpayers to furnish NFDS with their correct Taxpayer Identification Number WILL result in withholding of 31% of all taxable dividends paid to the account and/or withholding on certain other payments to the account (this is referred to as "backup withholding").**

**Under penalties of perjury, each undersigned certifies that the Social Security or Taxpayer Identification Number given above is correct and that I (we) am (are) not subject to backup withholding because I (we) have not been notified that I (we) am (are) subject to backup withholding or that the IRS has notified me (us) that I (we) am (are) no longer subject, and I am a U.S. Person (including a U.S. resident alien).**

**The Internal Revenue Service does not require your consent to any provisions of this document other than the certifications required to avoid backup withholding.**

Applicant \_\_\_\_\_ Date \_\_\_\_\_ Joint Registrant, if any \_\_\_\_\_

Officer, Partner, Trustee, etc. \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_ Officer, Partner, Trustee, etc. \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_

**IMPORTANT:** No investment can be redeemed from an account within 15 days following the date of purchase. This limitation does not apply to investments made by wire transfer from your bank.

- Confirmation or Account Establishment – Within a few days after the Application is received by NFDS, a confirmation statement(s) showing the account number(s), amount received, shares purchased and price paid per share should be received by the registered shareholder for each Fund selected.
  - Subsequent payments – A new application need not be submitted with additional payments to an existing account if a current Application is on file with NFDS. Subsequent purchases should be identified by account number and account registration. This can be accomplished by using the payment stub attached to the confirmation of payment which you will receive shortly after making an investment or you may establish a Valu-Matic investment program. Call 1-800-223-0818 for an application.
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If you have elected the Check Redemption Privilege, this card must be completed. The card is similar to one which must be signed when opening any checking account.

All Joint Tenants named in the Account Registration must sign this card, Names must be signed exactly as they appear in the Account Registration.

All persons authorized to sign for Corporate Accounts, Partnerships, Associations, Trusts or Plans must sign this card.

In signing this card, the signator(s) agree to be subject to the customary rules and regulations governing checking accounts and to the conditions set forth below. If the Check Redemption Privilege is established after the opening of the account or if any change is made in the information on the reverse side, all signatures will have to be guaranteed by a commercial bank, trust company, or member of the NASD or a national stock exchange.

**The payment of funds on the conditions set forth below and on the reverse side is authorized by the signature(s) appearing on the reverse side. The person(s) signing this form authorize STATE STREET BANK & TRUST CO. to honor checks drawn by the signators(s) on their account.**

National Financial Data Services (NFDS) is hereby appointed agent by the person(s) signing this card and will cause the Fund to redeem a sufficient number of shares from the account to cover checks presented for payment without requiring signature guarantees. Neither the Funds nor NFDS will be liable for any loss, expense or cost arising out of check redemptions or checks returned without payment. Shares outstanding in the account for less than 15 days will not be liquidated to pay checks presented unless NFDS is assured that good payment has been collected through normal banking channels. NFDS has the right not to honor checks that are for less than \$500 or checks in an amount exceeding the value of the account at the time the check is presented for payment. This privilege is subject to the provisions of the current prospectus of the Fund as amended from time to time. This agreement may be modified or terminated at any time by the Fund or NFDS upon notification mailed to the shareholder's address of record.

*The Value Line Tax Exempt Fund, Inc.*  
*The Money Market Portfolio*  
*The National Bond Portfolio*

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**PROSPECTUS**  
**JULY 2, 2001**

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#516997

*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.*

## TABLE OF CONTENTS

### *Fund Summary*

- What are the Fund's goals? *Page 2*
- What are the main investment strategies of the Portfolios? *Page 2*
- What are the main risks of investing in the Portfolios? *Page 2*
- How have the Portfolios performed? *Page 4*
- What are the Fund's fees and expenses? *Page 5*

### *How We Manage the Fund*

- Our principal investment strategies *Page 7*
- The type of securities in which we invest *Page 7*
- The principal risks of investing in the Fund *Page 8*

### *Who Manages the Fund*

- Investment Adviser *Page 10*
- Management fees *Page 10*
- Portfolio management *Page 10*

### *About Your Account*

- How to buy shares *Page 11*
- How to sell shares *Page 14*
- Special services *Page 15*
- Dividends, distributions and taxes *Page 16*

### *Financial Highlights*

- Financial Highlights *Page 17*

## FUND SUMMARY

### *What are the Fund's goals?*

The Fund's primary investment objective is to provide investors with the maximum income exempt from federal income taxes while avoiding undue risk to principal. The Fund offers investors a choice of two portfolios: the **Money Market Portfolio** and the **National Bond Portfolio**. Capital appreciation is a secondary objective of the **National Bond Portfolio**. Although the Fund will strive to achieve its goals, there is no assurance that it will succeed.


### *What are the main investment strategies of the Portfolios?*

The basic difference between the two portfolios is the quality and length of time until the maturities of their holdings, the yield, the diversification of the portfolio and the expected stability of the net asset values. The **Money Market Portfolio** invests only in high quality municipal securities. The average maturity of its holdings will not exceed 90 days and its yield will fluctuate with changes in short-term interest rates. The **Money Market Portfolio** does not invest for the purpose of seeking capital appreciation or gains. The higher quality, greater diversification and shorter maturities of the **Money Market Portfolio** should result in its being more stable than the **National Bond Portfolio**.

The **National Bond Portfolio** invests primarily in investment grade municipal bonds and expects to maintain an average maturity of between 10 and 30 years.

### *What are the main risks of investing in the Portfolios?*

Investing in any mutual fund, including either Portfolio, 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 the money that you invest. When you invest in either Portfolio, 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 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 holdings in either Portfolio will have its credit downgraded or will default, **income risk**, the risk that a Portfolio's income may decline because of falling interest rates and other market conditions and **liquidity risk**, the



risk that at times it may be difficult to value a security or sell it at a fair price. These risks may impact the Money Market Portfolio to a lesser extent than the National Bond Portfolio.

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

The National Bond Portfolio has a high portfolio turnover rate which may negatively affect the Fund's performance.

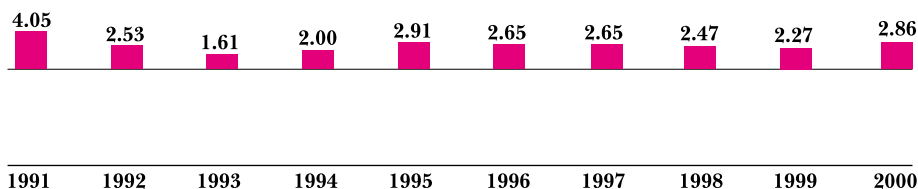
An investment in either Portfolio is not a complete investment program and you should consider it just one part of your total investment program. The Fund is not appropriate for IRAs or other tax-advantaged retirement plans.

**An investment in the Money Market Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Money Market Portfolio seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.**

### *How have the Portfolios performed?*

The following information can help you evaluate the potential risks of investing in the Portfolios. We show how returns for the Portfolios' shares have varied over the past ten calendar years, as well as the average annual returns of these shares for one, five, and ten years compared to a broad measure of market performance. You should remember that unlike the Portfolios, the indexes are unmanaged and do not include the costs of buying, selling and holding the securities. The past performance of the Portfolios is not necessarily an indication of how they will perform in the future.

#### *Money Market Portfolio: Total Returns as of 12/31 each year (%)*



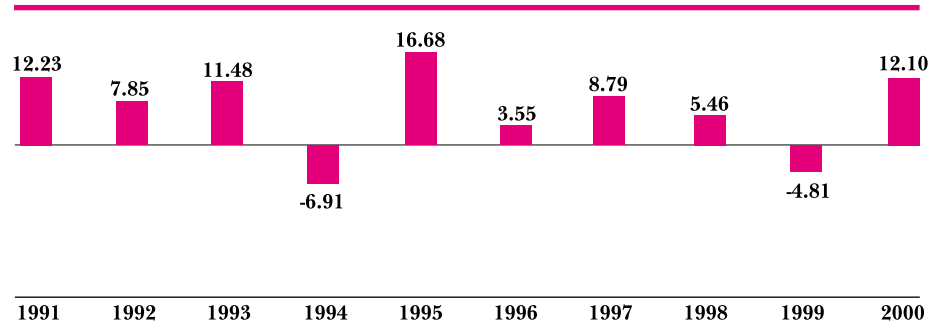
Best Quarter: Q2 1991 +1.05%  
 Worst Quarter: Q1 1994 +0.38%

The Money Market Portfolio's 7-day yield as of March 31, 2001, was 2.15%. The current 7-day yield may be obtained by calling 800-243-2739.

#### *Average annual total returns as of 12/31/00*

	1 year	5 years	10 years
Money Market Portfolio	2.86%	2.58%	2.60%
Lipper Tax-Exempt Money Market Funds Average Index	3.52%	3.05%	2.96%

*National Bond Portfolio: Total Returns as of 12/31 each year (%)*



Best Quarter: Q1 1995 +7.04%  
 Worst Quarter: Q1 1994 (6.57%)

The National Bond Portfolio's year-to-date return for the three months ended March 31, 2001, was 2.28%.

*Average annual total returns as of 12/31/00*

	1 year	5 years	10 years
National Bond Portfolio	12.10%	4.86%	6.39%
Lehman Brothers Municipal Bond Index	11.69%	5.84%	7.32%

*What are the Fund's fees and expenses?*

These tables describe the fees and expenses you pay in connection with an investment in either of the Fund's Portfolios.

*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 Fund Operating Expenses (expenses that are deducted from the Fund's assets)*

	Money Market Portfolio	National Bond Portfolio
Management Fees	0.50%	0.50%
Distribution and Service (12b-1) Fees*	0.25%	0.25%
Other Expenses	0.83%	0.15%
<b>Total Annual Fund Operating Expenses**</b>	<b>1.58%</b>	<b>0.90%</b>

\* The Service and Distribution Plan (12b-1 plan) became effective July 1, 2000. Therefore, the actual 12b-1 fees for the fiscal year ended February 28, 2001 were lower than these shown in the table. Because these fees are paid out of the Fund'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. 12b-1 fees for the Money Market Portfolio were waived for the year ended February 28, 2001.

\*\* Computed assuming the 12b-1 plan was in effect for the entire year ended February 28, 2001.

**Example**

This example is intended to help you compare the cost of investing in the Fund to the cost of investing in other mutual funds. We show the cumulative amount of Fund expenses on a hypothetical investment of \$10,000 with an annual 5% return over the time shown, assuming that the Fund's operating expenses remain the same. The expenses indicated for each period would be the same whether you sold your 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
Money Market Portfolio	\$161	\$499	\$860	\$1,878
National Bond Portfolio	\$ 92	\$287	\$498	\$1,108

## HOW WE MANAGE THE FUND

### *Our principal investment strategies*


We analyze economic and market conditions, seeking to identify the securities that we think make the best investments. Under normal conditions, the Fund's assets will be invested so that at least 80% of the annual income of the Fund will be exempt from federal income taxation and is not subject to the alternative minimum tax. This is a fundamental policy of the Fund which will not be changed without shareholder approval.

### *The type of securities in which we invest*

- **Money Market Portfolio.** This Portfolio invests in short-term municipal obligations. As a money market fund, this Portfolio must keep the average maturity of the holdings to 90 days or less. This minimizes the effect of changing interest rates on the net asset value of its shares. This Portfolio invests only in those securities which are rated in the highest two categories of a nationally recognized rating organization as is required by all money market funds and attempts to maintain a stable net asset value of \$1.00 per share.
- **National Bond Portfolio.** This Portfolio invests in municipal bonds that are rated at the time of purchase within the four highest categories of a nationally recognized rating organization, or if not rated, deemed by the Adviser to be of comparable quality. These bonds include both secured and unsecured debt obligations. Capital appreciation is a secondary objective. If a bond's rating drops, the Adviser will review the desirability of continuing to hold the bond.

Municipal bonds are debt securities issued by or on behalf of states, territories and possessions of the United States and their political subdivisions, agencies and instrumentalities which provide income free from federal, state or local personal income taxes. Municipal bonds 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.

The two portfolios may also invest in variable rate demand instruments, industrial development bonds and other securities which pay interest from revenues of projects with similar characteristics.



Yields of municipal securities depend upon a number of factors, including the financial condition of the issuer, economic conditions, money and capital market conditions, the volume of municipal securities available, conditions within the municipal securities market, the slope of the yield curve, changes in tax laws, regulations and rules, and the maturity, rating and size of individual offerings.

**Temporary defensive position**

From time to time in response to adverse market, economic, political or other conditions, we may invest a portion of the National Bond Portfolio's assets in cash, cash equivalents or U.S. Government securities for temporary defensive purposes that are inconsistent with the Portfolio's principal investment strategies. This could help the Portfolio avoid losses, but it may result in lost opportunities and lower yields. If this becomes necessary, the Portfolio's assets may not be invested in accordance with its strategy and the Portfolio may not achieve its investment objectives.


**Portfolio turnover**

The National Bond Portfolio engages in active and frequent trading of portfolio securities in order to take advantage of better investment opportunities to achieve its investment objectives. This strategy results in additional expenses and may negatively affect the Fund's performance. Portfolio turnover may also result in capital gain distributions that could increase your income tax liability.

*The principal risks of investing in the Fund*

Because of the nature of the National Bond Portfolio, you should consider an investment in it to be a long-term investment that will best meet its objectives when held for a number of years. Lower rated securities have certain speculative characteristics and involve greater investment risk, including the possibility of default or bankruptcy, than is the case with higher rated securities.

When investing in either Portfolio 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 either Portfolio are **market risk**, **credit risk**, **income risk** and **liquidity risk**. **Market risk** is the risk that the 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 holdings in either Portfolio will have its credit rating downgraded or will default, thereby reducing the Portfolio's income level and share price. **Income risk** is the risk that the Portfolio'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. There is also the risk that government actions could have an adverse effect on municipal bond prices.

An investment in either Portfolio 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 Fund's recent holdings can be found in the Fund's current annual or semi-annual report.

## WHO MANAGES THE FUND

The business and affairs of the Fund are managed by the Fund's officers under the direction of the Fund's Board of Directors.

### *Investment Adviser*

Value Line, Inc., 220 East 42nd Street, New York, NY 10017, serves as the Fund's investment adviser and manages the Fund's business affairs. Value Line also acts as investment adviser to the other Value Line mutual funds and furnishes investment counseling services to private and institutional clients resulting in combined assets under management of over \$4.5 billion.

The Adviser 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. Value Line Securities, Inc., the Fund's distributor, is a subsidiary of the Adviser. Another subsidiary of the Adviser publishes The Value Line Investment Survey and other publications.

### *Management fees*

For managing the Fund and its investments, the Adviser is paid a yearly fee of 0.50% of the Fund's average daily net assets.

### *Portfolio management*

A committee of employees of the Investment Adviser is jointly and primarily responsible for the day-to-day management of the Fund's two portfolios.

## ABOUT YOUR ACCOUNT

### *How to buy shares*

#### ■ **By telephone**

Once you have opened an account, you can buy additional shares in the National Bond Portfolio by calling 800-243-2729 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 us at 800-243-2729 so we can assign you an account number. Request your bank 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 NFDS, Agent, to Value Line Funds, c/o National 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. 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 application, you can open an account with an initial investment of \$1,000, and make additional investments at any time for as little as \$250. The price you pay for shares in the National Bond Portfolio will depend on when we receive your purchase order.

#### ■ **Time of purchase**

Your price for shares in the National Bond Portfolio is the Fund's net asset value per share (NAV), which is generally calculated as of the close of regular trading on the New York Stock Exchange (currently 4:00 p.m., Eastern time) every day the Exchange is open for business. The Exchange is currently closed on New Year's Day, Martin Luther King, Jr. Day, President's 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 calculated after your order is accepted by the Fund. Newly-purchased shares in the Money Market Portfolio will begin to accrue dividends on the business day after the Fund receives Federal Funds from your purchase payment. A payment by check is normally converted to Federal Funds within one business day following receipt by the Fund. A business day is any day that the New York Stock Exchange is open for business. The Money Market Portfolio's net asset value per share will normally remain fixed at \$1.00 per share. We reserve the right to reject any purchase order and to waive the initial and subsequent investment minimums at any time.

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

■ **Distribution charges**

The Fund has adopted a plan, effective July 1, 2000, under rule 12b-1 of the Investment Company Act of 1940. Under the plan, the Fund is charged a fee at the annual rate of 0.25% of the Fund's average daily net assets with the proceeds used to finance the activities of Value Line Securities, Inc., the Fund's distributor. The plan provides that the distributor may make payments to securities dealers, banks, financial institutions and other organizations which provide distribution and administrative services with respect to the distribution of the Fund's shares. Such services may include, among other things, answering investor inquiries regarding the Fund; processing new shareholder account applications and redemption transactions; responding to shareholder inquiries; and such other services as the Fund 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.

  
**■ Net asset value**

We calculate NAV by adding the market value of all the securities and assets in the Portfolio, deducting all liabilities, and dividing the resulting number by the number of shares outstanding. The result is the net asset value per share. Securities held by the Money Market Portfolio are valued on the basis of amortized cost which does not take into account unrealized capital gains and losses. This involves valuing an instrument at cost and thereafter assuming a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument. Bonds and other fixed-income securities of the National Bond Portfolio are valued on the basis of prices provided by an independent pricing service.

## *How to sell shares*

### ■ **By mail**

You can redeem your shares (sell them back to the Fund) by mail by writing to: Value Line Funds, c/o National 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 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.

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 (Money Market Portfolio only)**

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 we receive your request.

### ■ **By check (Money Market Portfolio only)**


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

### ■ **Through a broker-dealer**

You may sell your shares through a broker-dealer, who may charge a fee for this service.

The Fund has authorized certain brokers to accept purchase and redemption orders on behalf of the Fund. The Fund has also authorized these brokers to designate others to accept purchase and redemption orders on behalf of the Fund.

We treat any order to buy or sell shares that you place with one of these brokers, or anyone they have designated, as if you had placed it directly with the Fund. The shares that you buy or sell through brokers or anyone they have designated are priced at the next net asset value that is computed after they receive your order.



Among the brokers that have been authorized are Charles Schwab & Co., Inc., National Investor Services Corp., Pershing and Fidelity Brokerage Services Corp. You should consult with your broker to determine if it has been authorized.

■ **By exchange**

The shares of one portfolio may be exchanged for shares of the other portfolio or 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.

When you send us a request to sell or exchange shares, you will receive the net asset value that is next determined after we receive your request. For each account involved, you should provide the account name, number, name of fund and exchange or redemption amount. Call 800-243-2729 for additional documentation that may be required. You may have to pay taxes on the gain from your sale of shares.

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


Exchanges among Value Line funds are a shareholder privilege and not a right. We may reject any exchange order, particularly when there appears to be frequent purchases and sales.

**Account minimum**

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

*Special Services*

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



information about these programs by calling Shareholder Services at 800-223-0818.

- Valu-Matic® allows you to make regular monthly investments of \$25 or more automatically from your checking account.
- Through our 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.

### *Dividends, distributions and taxes*

The Fund declares dividends daily from its net investment income. In the Money Market Portfolio, dividends are automatically reinvested each day in additional shares. Dividends credited to a shareholder's account in the National Bond Portfolio are distributed monthly. The Fund distributes any capital gains that it has realized annually.

Tax laws are subject to change, so we urge you to 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 Fund is not affected by whether you reinvest your dividends or receive them in cash. Because the Fund invests in municipal bonds, certain dividends you receive will be exempt from regular federal income tax. All or a portion of these dividends, however, may be subject to state and local taxes or to the federal alternative minimum tax. Distributions from a fund's long-term capital gains, if any, are taxable as capital gains, while dividends from short-term capital gains, if any, and net investment income from non-tax-exempt securities are taxable as ordinary income. In addition, you may be subject to state and local taxes on distributions.

We 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.

## FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the Fund's financial performance for the past five years. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned or lost on an investment in the Fund assuming reinvestment of all dividends and distributions. This information has been audited by PricewaterhouseCoopers LLP, whose report, along with the Fund's financial statements, is included in the Fund's annual report, which is available upon request by calling 800-223-0818. Until July 1, 1999, the National Bond Portfolio was known as the High-Yield Portfolio.

### Financial Highlights

	National Bond Portfolio Years Ended on Last Day of February,				
	2001	2000	1999	1998	1997
<b>Net asset value, beginning of year</b>	\$9.79	\$10.80	\$11.04	\$10.78	\$10.82
<b>Income from investment operations:</b>					
Net investment income	.49	.49	.52	.54	.55
Net gains or losses on securities (both realized and unrealized)	.72	(.95)	.03	.36	(.04)
Total from investment operations	1.21	(.46)	.55	.90	.51
<b>Less distributions:</b>					
Dividends from net investment income	(.49)	(.49)	(.52)	(.54)	(.55)
Distributions from capital gains	—	(.06)	(.27)	(.10)	—
Total distributions	(.49)	(.55)	(.79)	(.64)	(.55)
<b>Net asset value, end of year</b>	\$10.51	\$9.79	\$10.80	\$11.04	\$10.78
<b>Total return</b>	12.68%	(4.30)%	4.88%	8.56%	4.86%
<b>Ratios/Supplemental Data:</b>					
Net assets, end of year (in thousands)	\$158,139	\$150,514	\$182,017	\$188,109	\$193,641
Ratio of expenses to average net assets	.82% (2)	.64% (2)	.63% (2)	.63% (1)	.60% (1)
Ratio of net income to average net assets	4.82%	4.77%	4.71%	4.98%	5.13%
Portfolio turnover rate	94%	163%	192%	119%	73%

(1) Before offset of custody credits.

(2) Ratio reflects expenses grossed up for custody credit arrangement. The ratio of expenses net of custody credits would have been .81%, .63% and .62%, respectively, for the years ended February 28, 2001, February 29, 2000 and February 28, 1999.

### *Financial Highlights*

	<b>Money Market Portfolio Years Ended on Last Day of February,</b>				
	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
<b>Net asset value, beginning of year</b>	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
<b>Income from investment operations:</b>					
Net investment income	.03	.02	.02	.03	.03
<b>Less distributions:</b>					
Dividends from net investment income	(.03)	(.02)	(.02)	(.03)	(.03)
<b>Net asset value, end of year</b>	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
<b>Total return</b>	2.76%	2.38%	2.39%	2.65%	2.56%
<b>Ratios/Supplemental Data:</b>					
Net assets, end of year (in thousands)	\$13,158	\$13,456	\$15,526	\$16,758	\$19,668
Ratio of expenses to average net assets	1.33% (2) (3)	1.15% (2)	1.18% (2)	1.03% (1)	1.00% (1)
Ratio of net income to average net assets	2.73%	2.33%	2.38%	2.63%	2.54%

(1) Before offset of custody credits.

(2) Ratio reflects expenses grossed up for custody credit arrangement. The ratio of expenses net of custody credits would have been 1.31%, 1.14% and 1.16%, respectively, for the years ended February 28, 2001, February 29, 2000 and February 28, 1999.

(3) Net of waived service and distribution plan fee. Had the expense been paid by the Money Market Portfolio for the year end February 28, 2001, the ratio of expense to average net assets would have been 1.47% and the ratio of net investment income to average daily net assets would have been 2.59%.



*For more information*

Additional information about the Fund's investments is available in the Fund's annual and semi-annual reports to shareholders. In the Fund's annual report, you will find a discussion of the market conditions and investment strategies that significantly affected the Fund's performance during its last fiscal year. You can find more detailed information about the Fund in the current Statement of Additional Information dated July 2, 2001, which we have filed electronically with the Securities and Exchange Commission (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 Fund, you can write to us at 220 East 42nd Street, New York, NY 10017-5891 or call toll-free 800-223-0818. You may also obtain the prospectus from our Internet site at <http://www.valueline.com>.

Reports and other information about the Fund 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](mailto:publicinfo@sec.gov), or by writing to the Public Reference Section of the SEC, Washington, D.C. 20549-0102. Information about the Fund, including its Statement of Additional Information, can be reviewed and copied at the Securities and Exchange Commission's Public Reference Room in Washington, D.C. You can get information on operation of the public reference room by calling the SEC at 1-202-942-8090.

**Investment Adviser**

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New York, NY 10017-5891

**Service Agent**

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Kansas City, MO 64121-9729

**Custodian**

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**Distributor**

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