



Value Line®
Publishing, Inc.

Complete Overview

The Value Line
Special Situations
Service

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THE VALUE LINE SPECIAL SITUATIONS SERVICE

ITS PURPOSE

The Value Line Special Situations Service is designed to help investors build a diversified portfolio of small-company stocks. Investing in small companies can be very risky, especially when it comes to those that have strong growth potential. Some of these are start-ups that are developing a new product or service and may not be profitable. Small technology, drug, biotech, and medical device companies frequently fall into this category. Others operate in a fledgling industry and may have a particular advantage over their competition. Still others may be in the process of restructuring and offer the potential for improved profitability, or may stand to benefit from certain regulatory changes. As such, these can be highly speculative investments, with the possibility for significant losses. The goal of the service is to help small-cap investors build a diversified portfolio of stocks by seeking out these “aggressive” companies that offer strong growth potential, balanced by “conservative” companies that operate in more-stable industries and may pay a dividend.

With the aid of Value Line’s extensive stock database and proprietary screening tools, our special situations analysts maintain a constant search for the very best small-cap companies, sifting each month through hundreds of quarterly and annual reports, prospectuses, SEC filings, and press releases. Each issue—no matter what the general market climate—recommends two new “Special Situations” for purchase.

For aggressive selections, the service seeks out small fast-growing companies that possess above-average long-term capital gains potential. Emphasis is placed on companies that may generate strong earnings growth over the next three to five years. Particular attention is paid to firms that operate in high-growth industries, including technology, biotech, pharmaceuticals, and medical devices, as well as a number of different service industries. For conservative selections, emphasis is placed on small companies that operate in more-stable areas of the economy and may pay a dividend, such as the utilities sector. Many new recommendations are traded on NASDAQ, although stocks that trade on the New York Stock Exchange may be recommended as well.

ITS MANY FEATURES

The Value Line Special Situations Service is published monthly. Each new recommendation features a report that includes an overview of the company, an examination of the company’s finances, and a discussion of its investment potential over the coming three-to five-year period.

Every issue features periodic updates on companies that were previously recommended by the service. Each company is updated about once each quarter, until a sale or “Switch” of the stock is advised. The updates include our current ranking of the stock (“Especially Recommended,” “Buy/Hold,” “Hold,” or “Switch”), its recent

price, estimated dividend yield, three- to five-year potential value, and the date and price when the stock was initially recommended. The update also contains the stock's performance record since it was initially recommended, our recommended stop-loss price, the company website, the high and low share price for the current year and previous four years, a graph charting the share price over the past 24 months, and quarterly revenues and earnings for the past three years with projections for the current year. In addition, we provide a synopsis of recent company developments and an up-to-date discussion of the stock's potential.

Other features found in the service include an "Index" to all the stocks followed by the service, which is broken down into aggressive and conservative portfolios. The index references the page number and issue when it was last reviewed, the ticker symbol, and our current recommendation. The index also includes the recent share price, price/earnings ratio, estimated dividend yield over the next 12 months, and the date and price when it was initially recommended. Each issue contains an economic overview called "Investment Perspectives," a "Newswire," and an "Industry Focus" section that offers an overview of a timely industry. The Industry Focus may include further investment ideas. Moreover, a "Portfolio Update", which provides a comprehensive overview of the performance of the stocks in the service during the preceding month, is also included.

HOW IT RATES SPECIAL SITUATIONS

The Value Line Special Situations Service assigns each stock covered in the service one of four recommendations, based on our analysts' forecast:

Especially Recommended—The service's highest recommendation; a strong buy. All new recommendations enter the service with this ranking and remain so until they are downgraded.

Buy/Hold—Stocks may be downgraded to Buy/Hold because of increased uncertainty regarding the potential of a new product the company is developing, fundamental

economic changes that may impact the company's earnings, or regulatory changes that may have a material impact on the company's business, which has compelled us to lower our three-to five-year price target for the security. If an investor already owns the stock, he/she should maintain their existing positions. Although stocks with this ranking do not, in our opinion, have the potential that stocks ranked Especially Recommended do, the company may still be of interest to some subscribers.

Hold—Stocks may be downgraded to Hold for similar reasons. Investors that already own the stock should maintain their positions. Additional purchases are not recommended for a stock with this ranking. Occasionally, we may suggest that investors who have owned the stock since it was recommended initially and have profited from their positions consider selling some of their shares at this time in order to lock in a portion of their gains and use the proceeds to invest in one or more of our Especially Recommended stocks.

Switch—A sell recommendation; Switch into one of our Especially Recommended stocks. Stocks may be downgraded to Switch if they meet or exceed our price target, a new product or service the company is developing fails to meet expectations, or because of other material changes with respect to the company or the overall market that has caused the share price to fall below our stop loss. The switch recommendation represents the company's final review by *The Special Situations Service*.

STOP LOSS

Many small-cap stocks operate in niche industries or rely on a single product or small group of products or services. They can be highly volatile, especially during economic downturns. Thus, we generally recommend a stop loss for each stock that we cover to help provide investors with a measure of protection for their invested capital. Stop losses may be adjusted upward as the share price increases. If a stock in the service breaches the stop loss, we place a Switch on the security, and recommend investors apply the remaining proceeds to one or more of our Especially Recommended stocks.

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INVESTING IN SPECIAL SITUATIONS

CRITERIA FOR INCLUSION IN OUR PORTFOLIO

We seek small-cap stocks that either have the potential to outperform the broader market through strong earnings growth, or operate in stable industries but still have the potential for some growth and may pay a dividend. Small-company stocks with the potential for strong earnings growth may be on the verge of introducing new products or services, may benefit from the rapid expansion of a market in which the company has a strong position, or may benefit from some unusual—and frequently non-recurring—developments. For stocks of companies that operate in stable industries, we seek those that have a solid track record of earnings growth and share price stability. Secondly, we look for companies that offer a dividend and have demonstrated an ability to increase it on a consistent basis.

HOW TO GET THE MOST OUT OF WHAT OUR PRODUCT HAS TO OFFER

The goal of *The Special Situations Service* is to help investors build a balanced, diversified portfolio of small-

cap stocks. A balanced portfolio may help offset some of the risk associated in investing in small, speculative, start-up companies.

Subscribers are advised to fully consider the information contained in the New Recommendation report before committing capital. There is a great deal of variation in the degree of risk and the potential for gain that comes with investing in small companies. Thus, a subscriber should select—from the new recommendations made each year, as well as from the list of previously recommended special situations that are currently Especially Recommended for purchase—those that best meet the requirements of his or her own portfolio.

We strongly recommend investors distribute the portion of their portfolio devoted to special situations among several securities rather than focus on a single company. Investors should keep in mind that more-aggressive selections are recommended for their long-term appreciation potential, rather than for short-term capital gains. Since these aggressive selections can be highly speculative, they should represent only a limited portion of one's total portfolio. Investors must understand that, although our aggressive investment ideas may offer the potential for substantial capital appreciation, they may carry an extraordinary amount of risk. We strongly recommend the use of stop losses when investing in these companies, as the potential for sudden, significant losses is great.

WHY DO SPECIAL SITUATIONS FREQUENTLY EXPERIENCE A TEMPORARY “PRICE BULGE” IMMEDIATELY UPON RECOMMENDATION?

During strong markets, our new recommendations may experience a price bulge for a few days following their publication, after which the price normally recedes. This can be especially true when the trading volume for the security is normally light, and a large number of subscribers buy the stock at the same time. It should be recognized, however, that the initial bulge is of minor significance from a long-term standpoint.

WHAT IS THE RECOMMENDED PROCEDURE IN PURCHASING SPECIAL SITUATIONS?

We recommend that investors who have Internet access review our new recommendations online as soon as they become available in order to have time to decide if either is appropriate considering your particular investment goals and to be adequately prepared to make an investment at the open of the next trading day. The product can be accessed on the Value Line website (www.valueline.com) beginning at 5 P.M. Eastern Time on the Friday before the publication is scheduled to be delivered. The back page of each issue provides instructions on how to access to the publication online.

For subscribers who do not have Internet access, in order to minimize the effect of the initial price bulge, consider buying only one-half of your eventual commitment immediately upon receipt of the recommendation and the other half after the initial effects of the recommendation have worn off. Because it is not possible to measure in advance the effect of the recommendation on the share price, unlimited open market orders should be avoided. If we find that the market for the special situation is thin, we include a warning in the New Recommendation report that limits close to the recommendation price should be set when placing orders.

WHEN AND WHERE DO WE RECOMMEND SELLING SPECIAL SITUATIONS?

Following recommendation, each special situation is continually supervised until a sale, or Switch, is advised. We advise the sale of a special situation when our analysis concludes that the long-term appreciation potential of the stock is limited because either: (1) the price advance since the recommendation has fulfilled or exceeded our expectations, (2) recent developments indicate a further significant price rise is not probable, or (3) the share price has breached our recommended stop loss. A recommendation to sell concludes our coverage of the special situation. A summary of our reasons for issuing a Switch on a particular stock is included in the Updates section of the publication, and is also noted in the Index.

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AN IN-DEPTH LOOK AT THE
FEATURES OF THE SPECIAL
SITUATIONS SERVICE

We recommend that subscribers review the sample pages provided in this chapter as a means of gaining familiarity with The Value Line Special Situations Service.



THE VALUE LINE

Special Situations Service

Pages 968 to 983

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Investment Perspectives

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The numbers are turning a little less negative as we move into the first part of the second quarter. There's no broadbased improvement to be sure. However, we are seeing selective gains in housing starts, building permits, and sales of both new and existing homes. Moreover, manufacturing is stabilizing, rather than falling sharply as had been the case earlier in the business down cycle, while consumer confidence has started to move up ever so slightly.

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Any economic recovery at this time should be kept in perspective. For example, while housing has lifted off its recent lows, such activity is still off 60%-80% from the levels of several years ago. Multiyear lows are also in sight for consumer confidence and manufacturing, while the troubled auto industry's problems continue to mount. Finally, earnings are falling noticeably for many companies, with some cutting their dividends in order to prop up balance sheets that have been hurt by the worsening profit problems.

At best, we see a second quarter that will be moderately better than the first three months of this year. Our sense is that the nation's gross domestic product, which contracted at a distressing annualized rate of 6.3% during the final quarter of 2008, may have fallen by 6%, or so, in the just-ended three months. (First-quarter GDP re-

sults are due out on April 29th.) The mild, spotty recovery in business activity cited above will help second-quarter economic results if it is sustained. However, given the overall low levels of business activity that we expect in the period, GDP may drop again, but perhaps by just 3%, or so.

Additional small steps are likely in the second half of 2009. We think that GDP may show little change in the third quarter of this year—rising or contracting nominally—but that growth of 1%-2% might resume by the final three months of this year.

Meantime, stock market volatility remains high, even by the standards of recent years. However, much of this volatility has been to the upside in recent weeks, after the Dow Jones Industrials had tumbled to just under 6,500 in early March. The ensuing rise in equities, meantime, has been dramatic, even with a few pauses along the way. However, we note that only a small portion of the prior 18 months of damage has been undone.

Conclusion: We think the equity market is attractive at these levels, assuming our economic forecast is near the mark, although we could see further weakness in the near term, after the recent sharp runup.

Previously Recommended Special Situations Reviewed in This Issue

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Page	Name	Current Recommendation	Price	Page	Name	Current Recommendation	Price
978	Chesapeake Utilities Corp.	<i>Esp. Rec.</i>	30.78	980	Green Mtn. Coff. Rstrs., Inc.	<i>Hold</i>	50.20
978	Cornell Companies, Inc.	<i>Hold</i>	19.37	980	NuVasive, Inc.	<i>Buy/Hold</i>	30.49
979	EZCORP, Inc.	<i>Buy/Hold</i>	12.45	981	Unitil Corp.	<i>Esp. Rec.</i>	20.33

Each supervisory review in this section is a quarterly follow-up to an original recommendation and is not necessarily sufficient by itself to form the basis for an investment decision. A subscriber interested in purchasing any of the securities currently rated "Buy/Hold" or "Especially Recommended," who does not have available Value Line's original recommendation of the security, should feel free to request from us a copy of the original recommendation so that he or she will have more information on which to base a decision.

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1. A brief commentary on the economic and stock market outlook. (For *The Value Line Investment Survey* subscribers: In most cases, this represents a reprint of the previous Friday's "Value Line View," which appears in the Selection & Opinion section of that service.)
 2. A listing of all the special situations reviewed in the current issue, with their page number, current recommendation—Especially Recommended, Buy/ Hold, Hold, or Switch, and recent price. The date of the recent price is provided at the top of page 2, Index to Stocks.

Index to Stocks 1

Stocks currently being followed by The Special Situations Service
Prices quoted are those at the close of the market, April 3, 2009

Aggressive 3

Latest Review Pages	Name	Ticker	Current Advice	Recent Price	Current P/E Ratio	Estimated Yield Next 12 Months	Originally Recommended	
							Price	Date
994 2	Aaron Rents Inc.	RNT	Esp.Rec.	27.94	16.0	0.2%	25.86	1-09
994	Alexion Pharmaceuticals, Inc.	ALXN	Hold	37.76	51.7	Nil	10.33(a)	5-05
S-408	America's Car Mart	CRMT	Esp.Rec.	16.86	11.0	Nil	11.75	11-08
A-67	Capella Education Company	CPLA	Esp.Rec.	52.77	27.8	Nil	59.48	2-09
A-429	# Cash America Int'l, Inc.	CSH						
978	Cornell Companies, Inc.	CRN	Hold	19.37	12.4	Nil	22.04	7-08
995	Emergency Medical Svcs. Corp.	EMS	Esp.Rec.	31.20	14.7	Nil	26.80	8-08
S-417	Exponent, Inc.	EXPO	Esp.Rec.	27.40	18.6	Nil	31.28	7-08
979	EZCORP, Inc.	EZPW	Buy/Hold	12.45	9.4	Nil	13.00	4-08
980	Green Mtn. Coff. Rstrs., Inc.	GMCR	Hold	50.20	42.2	Nil	8.47(a)	1-05
988	HMS Holdings Corp.	HMSY	Esp.Rec.	29.10	32.3	Nil	31.66	3-09
S-409	MWI Veterinary Supply	MWIV	Buy/Hold	30.25	17.3	Nil	23.60	12-08
S-410	Monro Muffler Brake, Inc.	MNRO	Esp.Rec.	28.49	22.6	1.0%	22.73	12-08
S-418	NCI, Inc.	NCIT	Esp.Rec.	26.67	19.8	Nil	19.18	10-08
980	NuVasive, Inc.	NUVA	Buy/Hold	30.49	NMF	Nil	31.90	9-07
998	# Orbital Sciences Corp.	ORB						
991	Osiris Therapeutics, Inc.	OSIR	Esp.Rec.	13.66	NMF	Nil	18.01	3-09
996	PetMed Express, Inc.	PETS	Buy/Hold	16.68	17.2	Nil	12.96	2-07
S-421	# Team, Inc.	TISI						
S-412	Volcano Corporation	VOLC	Esp.Rec.	13.71	NMF	Nil	15.10	11-08

Conservative 4

Latest Review Pages	Name	Ticker	Current Advice	Recent Price	Current P/E Ratio	Estimated Yield Next 12 Months	Originally Recommended	
							Price	Date
S-416	Artesian Resources Corp.	ARTNA	Esp.Rec.	14.22	16.2	5.3%	15.62	11-08
978	Chesapeake Utilities Corp.	CPK	Esp.Rec.	30.78	14.9	4.0%	27.47	12-08
996	Healthcare Svs. Group, Inc.	HCSG	Esp.Rec.	15.58	24.3	4.4%	13.74	12-08
A-3	Otelco Inc.	OTT	Esp.Rec.	9.87	54.8	17.0%	8.32	11-08
997	SJW Corp.	SJW	Hold	26.80	21.6	2.6%	27.87	9-08
S-411	Schweitzer-Mauduit, Int'l	SWM	Buy/Hold	20.70	30.0	2.9%	18.52	1-09
998	# Spartan Stores, Inc.	SPTN						
981	Unitil Corp.	UTL	Esp.Rec.	20.33	9.9	6.8%	20.40	2-09

Explanation of footnotes 12

**Current advice change.

(a) Adjusted for stock splits and/or stock dividends.

#Stock has been closed out of the Special Situations Service; will no longer be covered.

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1. The date of the closing prices reflected in the issue.
 2. The page on which the latest report on the company appears.
 3. Our Aggressive portfolio of stocks, listed alphabetically.
 4. Our Conservative portfolio of stocks, listed alphabetically.
 5. The ticker symbol under which the stock trades.
 6. The current recommendation for each company—Especially Recommended, Buy/Hold, Hold, or Switch. The recommendations are defined in Chapter One of this booklet.
 7. The price for each stock as of the date on which the prices for the issue were gathered.
 8. The current price-earnings ratio (or multiple) for each company, which is computed by dividing the recent price by an earnings figure composed of the latest two quarters of reported earnings and Value Line's estimate of earnings for the next two quarters.
 9. Value Line's estimate of cash dividends to be paid over the next 12 months divided by the recent price.
 10. The price at which the stock was originally recommended. (The price at the market open of the day the issue is due to arrive in subscribers' homes.)
 11. The month and year of the special situation's original recommendation (the date of its new recommendation report).
 12. Footnotes. These generally alert subscribers to stock splits, spin-offs, name changes, and current advice changes. Stocks that have been downgraded to "Switch" will continue to be listed in the index for a few months to ensure investors did not overlook this important notice.

The Newswire

Recent news items on companies that have been previously recommended

Alexion Pharmaceuticals, Inc. submitted a New Drug Application (NDA) for its drug Soliris to Japan's Pharmaceuticals and Medical Devices Agency as a treatment for patients with paroxysmal nocturnal hemoglobinuria (PNH). The NDA included data from Alexion's AEGIS study, which was designed specifically for Japanese patients with the disease. Conducted on 29 patients, the trial's key primary and secondary endpoints were achieved, and there were no major adverse drug reactions reported during the study. Soliris has already been approved to treat PNH in the United States and Europe.

HMS Holdings Corp. was awarded a contract for consulting and audit services for Medicaid overpayments from the South Carolina Department of Health and Human Services. The contract is for one year, with two optional renewal years. HMS will perform post-payment reviews of Medicaid claims from hospitals and other medical providers, including appropriate diagnostic coding, duplication of services, and medical necessity. The value of the contract was not disclosed.

Monro Muffler Brake, Inc. raised its guidance for fiscal 2008, which ended on March 31, 2009. Sales are expected to be between \$467 million and \$477 million, with a comparable-store sales increase of approximately 7%. Earnings are expected to be between \$1.17 and \$1.20 a share. Previous guidance included sales of between \$467 million and \$471 million, with comparable-store sales growth of between 5% and 6% and earnings of between \$1.14 and \$1.19 a share. It also stated that, based on current trends, full-fiscal year 2009 comparable-store sales should increase 4%-7%, resulting in earnings of between \$1.30 and \$1.45. Gross margins are expected to improve 100 basis

points over fiscal 2008 because of declining oil and tire costs.

NCI, Inc. was awarded a U.S. General Services Administration (GSA) Alliant prime contract. NCI is one of 59 firms selected for the award, which has a ceiling of \$50 billion. The contract has a five-year base with one five-year option. Alliant supports several initiatives, including Federal Enterprise Architecture and Green Computing.

Osiris Therapeutics, Inc. treated its first patient in a Phase II clinical trial evaluating its drug candidate Prochymal for the treatment of heart attacks. Prochymal is a proprietary formulation of adult stem cells that may be of benefit to heart attack patients by controlling inflammation, promoting tissue regeneration, and preventing scar formation. The study expects to enroll 220 patients following their first heart attack. Elsewhere, the company halted the enrollment of 210 patients in a Phase III trial of the same drug for the treatment of Crohn's disease, a disease of the gastrointestinal tract. The trial has two phases. The first is a 28-day randomized trial in which patients are given either Prochymal or a placebo. The patients are not told whether they are on the actual drug or the placebo. During this phase patients fill out a questionnaire, the Crohn's Disease Activity Index. The index is used to help determine if patients can be randomized into the second phase, where patients are given Prochymal over a longer time frame. The questionnaire is subjective, and it was determined that many of the patients given the placebo were reporting positive results, perhaps thinking that if they were being given the actual drug they could enroll in the second phase of the trial. There were no adverse reactions to the drug, however, and data will continue to be collected.

Especially Recommended Special Situations

Our highest-rated stocks

Latest Review Pages	Name	Recent Price	Current P/E Ratio	Est. Yield Next 12 Months	Latest Review Pages	Name	Recent Price	Current P/E Ratio	Est. Yield Next 12 Months
994	Aaron Rents Inc.	27.94	16.0	0.2%	996	HMS Holdings Corp.	29.10	32.3	Nil
S-408	America's Car Mart	16.86	11.0	Nil	S-410	Monro Muffler Brake, Inc.	28.49	22.6	1.0%
S-416	Artesian Resources Corp.	14.22	16.2	5.3%	S-418	NCI, Inc.	26.67	19.8	Nil
A-67	Capella Education Co.	52.77	25.6	Nil	996	Osiris Therapeutics, Inc.	13.66	NMF	Nil
978	Chesapeake Utilities Corp.	30.78	14.9	4.0%	A-3	Otelco Inc.	9.87	54.8	17.0%
995	Emergency Medical Svcs.	31.20	14.7	Nil	981	Unitil Corp.	20.33	9.9	6.8%
S-417	Exponent, Inc.	27.40	18.6	Nil	S-412	Volcano Corporation	13.71	NMF	Nil
988	Healthcare Svs. Group	15.58	24.3	4.4%					

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1. A rundown of recent news and other noteworthy events for companies covered by the service that are not being updated in the issue.

2. A listing of all special situations currently followed by the service that carry our highest recommendation—Especially Recommended. The recommendations of the service are defined in Chapter One of this booklet.

New Recommendation

For more-aggressive investors

1

Bally Technologies, Inc.

2

Recent Price: 22.10

3

Traded: NYSE—BYI

4

Revenues: \$1.3 bill.

2012-14 PROJECTED VALUATION

Shs outstanding: 62,000,000
(12% increase)

Pretax Margin: 25.0%

Projected growth rate: 13%
(2008 to 2012-14)

Earnings per share: \$3.40

Price-earnings multiple: 20.0

Normal Average 3- to 5-Year Price: 68

The ongoing economic recession has not only left consumers with less disposable income, but it has state governments scrambling to come up with sufficient funds to meet all expenditures. The average budget shortfall in 2009 is expected to be approximately \$2.2 billion per state, and continued weakness could further exacerbate the problem. As a result of this challenge, state administrations have been trying to add revenues in any possible manner, and one way that is gaining increasing popularity is through the operation and taxation of highly profitable gambling facilities. Seven states are attempting to legalize slot machine gaming, while three more states are in the process of expanding existing properties. This is highly advantageous for companies that manufacture slot machines and other gaming devices, positioning one of our new recommendations for this month, *Bally Technologies, Inc.*, well for future success. The company will likely benefit from strong demand if more state governments raise income by allowing or providing slot machine gambling at racetracks and casinos.

6

Bally Technologies designs, manufactures, and distributes gaming devices, as well as computerized monitoring and accounting systems, to casinos around the globe. The Las Vegas-based company is a leader in slots, video machines, casino management systems, and networked solutions for the gaming industry. It sells slot machine products and offers rental options to an impressive list of major corporate gaming operators, such as Harrah's Entertainment, Las Vegas Sands, Trump Entertainment, Pinnacle Entertainment, Penn National Gaming, Mohegan Sun, Borgata, and Foxwoods Resort Casino. In addition, it operates a company-owned dockside riverboat casino, the Rainbow Casino, in Vicksburg, Mississippi. During fiscal 2008 (ended June 30, 2008), Bally produced revenues of \$899.7 million, compared to \$682.3 million in the prior 12-month period. The company organizes its operations into two segments: Bally Gaming Equipment and Systems, and Casino Operations. Roughly 95% of its revenues are generated from the former, with that division deriving income from gaming equipment (the sale of gambling devices and replacement parts), gaming operations (rental of gambling machines through the maintenance of linked progressive systems, video lottery, and centrally determined systems), and systems (the sale and support of computerized monitoring systems). Meanwhile, the Casino Operations group, consisting of the Rainbow Casino, accounted for just 5% of aggregate

revenues in fiscal 2008.

The sale of gaming equipment generated \$410.1 million in revenues during fiscal 2008, or about 46% of the top line. This represents Bally's largest stream of revenues. The company can tailor slot machine units based on the specific requirements of each customer, differentiating the game theme, cabinet style, pay table, game layout, betting denomination, and minimum/maximum wager amount. Popular game themes include titles such as Playboy, Hot Shot Progressive, Quick Hit Platinum, Golden Monkey, Reel Winners, Hee Haw, Monte Carlo, and Saturday Night Live. The company's products are technologically advanced; each device contains an operating system referred to as the game platform, which manages the software within the unit to allow complex game features such as bonusing and free spin. After the initial slot machine sale, the company also generates income from the sale of replacement parts and upgrades that keep the devices up to date. Apparatus such as video monitors, bill validators, logic boards, and printers are typically replaced often, giving the company recurring revenues that add stability to its business. Game conversion kits, which provide the opportunity to offer a new theme on the existing product without the purchase of an entirely new slot machine, are also available. This allows many casinos to change themes regularly to keep current with the most recent customer tastes.

Gaming operations does business through the rental of casino equipment, with revenues generated through four types of arrangements: daily fee games, linked progressive systems, video lottery systems, and centrally determined systems. During fiscal 2008, this section registered sales of \$236.0 million, or 26% of the top line. The most basic rental agreement consists of either a fixed daily fee or a percentage of the net win generated by the gaming device. The company retains ownership of the machines under this model. Bally offers linked progressive systems, which award a common jackpot that may be connected among multiple casinos within a market or jurisdiction, encouraging gamblers to wager both longer and for larger amounts due to the increased potential payout. These contracts are based on daily fees, representing a percentage of

Continued on page 974

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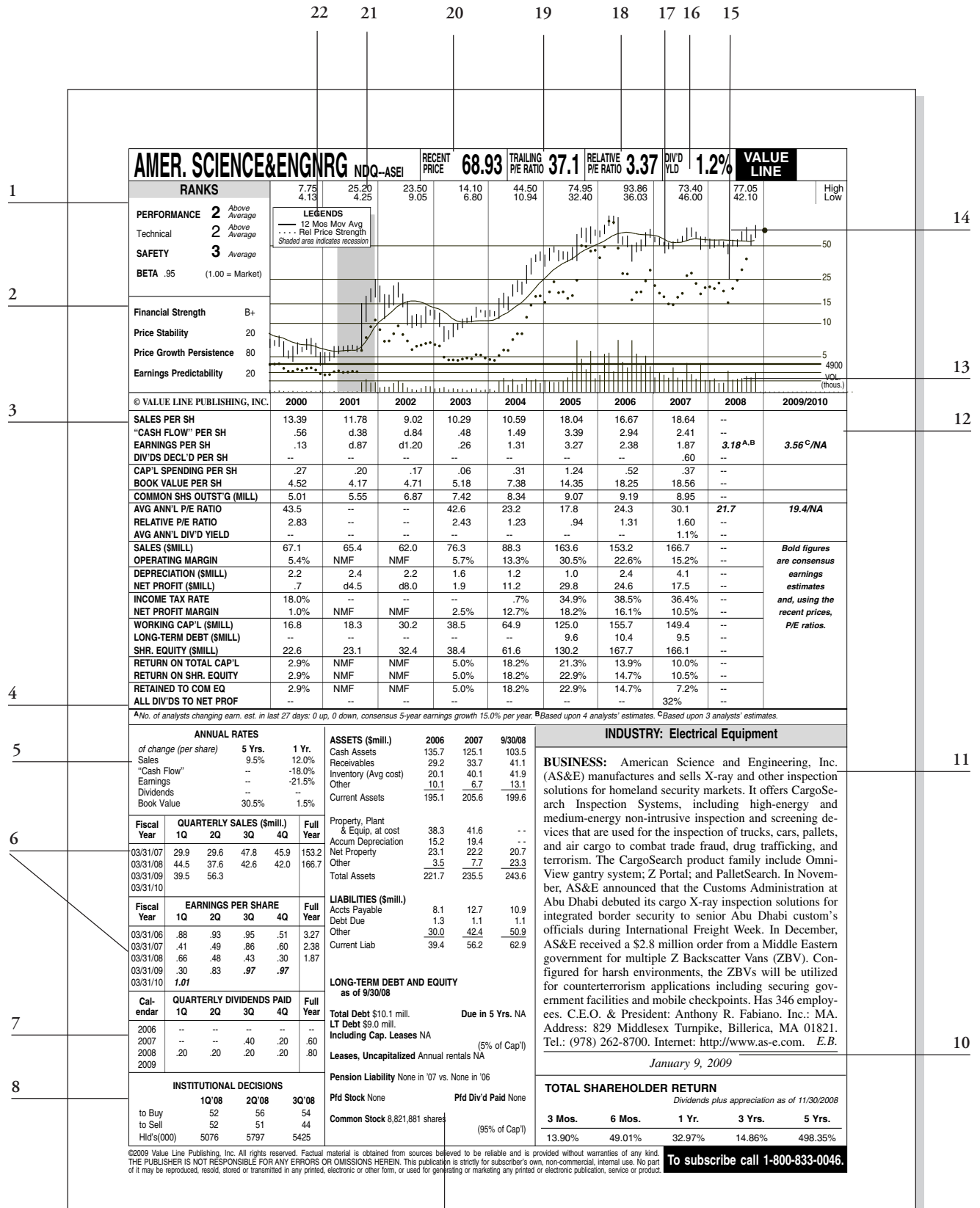
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1. Our categorization of the new recommendation—Aggressive or Conservative.
 2. The company name, as listed in Securities and Exchange Commission filings.
 3. The stock's recent price, based on the date provided at the top of page 2, Index to Stocks.
 4. The exchange where shares of the company's stock are traded.
 5. The projected valuation for the stock within the next three to five years. The projection includes an estimate for revenues, which may be based on a new product or service that the company is developing that is not yet available. Also included is an estimate for the number of shares outstanding, which may be based on historical trends for the company, or its potential need to raise additional capital through the issuance of shares.

The pretax margin is an estimate that takes into consideration the historical margin that the company has been able to maintain and/or the margin that is typical for other companies that operate in the same industry. The earnings-per-share estimate is based on our projections for revenues, the number of shares outstanding, and margins. The price-earnings multiple uses a figure that is reflective of the industry in which the company operates. For companies that have significant earnings potential, a higher price-earnings multiple may be assigned. The projected growth rate is the growth in earnings per share from the most recently completed operating year to our expected future earnings-per-share estimate.

6. A detailed overview of the company's business, its financials, and a discussion of our basis for recommending the stock, with our three- to five-year projections.

VALUE LINE SPECIAL SITUATIONS SAMPLE STOCK PAGE



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1. Value Line's ranking for the stock is based on proprietary models for Performance,TM which is a quantitative measure based on past earnings and price performance data; and Safety,TM which is computed by averaging the Value Line Price Stability Index and the Financial Strength rating. The Technical ranking is based on a complex analysis of the stock's relative price performance over the previous 52 weeks. The Beta is an indication of how volatile the stock price has historically been in comparison to changes in the broader stock market. The lower the beta, the less sensitive the stock is to fluctuations in the broader market.
 2. Value Line's Indexes of Financial Strength, Price Stability, Price Growth Persistence, and Earnings Predictability.
 3. Statistical milestones that can reveal significant long-term trends.
 4. Footnotes. These can identify such things as the number of analysts who recently increased or decreased their earnings estimates for the company, how many analysts contributed to the annual earnings estimate for the current year, and how many analysts contributed to the annual earnings estimate for the following year.
 5. Annual rates of change (on a per-share basis) based on past actuals.
 6. Gross quarterly sales and per-share quarterly earnings. In most cases, nonrecurring or extraordinary gains or losses have been omitted.
 7. Quarterly dividends paid based on actual payments. The total dividends paid in four quarters may not equal the figure shown in the annual series on dividends declared, since a dividend may in some cases be declared at the end of one year and paid in the first quarter of the following year.
 8. A record of the decisions taken by large institutions (those with more than \$28 million in equity holdings) to buy or sell during the past three quarters and the total number of shares they sold. These institutions comprise banks, insurance companies, mutual funds, investment advisers, internally managed endowments, and pension funds.
 9. The company's financial position, which includes both current and long-term assets and liabilities.
 10. The date of delivery to *Small and Mid-Cap Edition* subscribers.
 11. A summary of the company's business, its address, telephone number, and web address.
 12. Consensus mean annual earnings estimates for the next two years, *as available*. All annual earnings estimates represent earnings from continuing operations before extraordinary, nonrecurring, and special items, and are consistent with reported results. Annual earnings estimates will be accompanied by several footnotes to provide more information. (See item 4 for details.)
 13. The number of shares traded monthly.
 14. Monthly price changes in the stock—plotted on a logarithmic grid to show percentage changes in true proportion. For example, a \$10 stock that increases to \$11 will move the same distance on the grid as a stock that goes from \$100 to \$110, since both have increased 10%.
 15. The dotted line represents the relative price strength of the stock. This describes the stock's price performance relative to the Value Line Arithmetic Average of 1,700 stocks.
 16. Dividend yield—the current annualized cash dividends divided by the recent price.
 17. The 12-month moving average. This solid line shows the average stock price over the preceding 12 months.
 18. Relative P/E ratio—the stock's current trailing P/E divided by the mean P/E for 3,500 stocks.
 19. Trailing P/E ratio—the most recent price divided by earnings over the past 12 months.
 20. Recent price—the share price nine days prior to the date on the report.
 21. The stock's highest and lowest prices for the year.
 22. Legends/stock split table.
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Company Updates

For stocks previously recommended

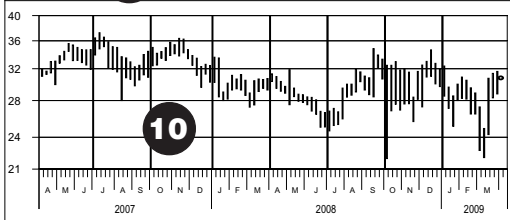
Chesapeake Utilities Corporation

(NYSE—CPK)

For Conservative Investors

- 1 Especially Recommended
- 2 Recent Price: 30.78
- 3 Estimated Dividend Yield: 4.0%
- 4 2012-14 Potential Value: 45 (+45%)
- 5 Originally Recommended at 27.47 in December 2008
- 6 Performance Record: +12.0%
- 7 Recommended Stop Loss: 20
- 8 Company Website: www.chpk.com

Annual Stock Price	2005	2006	2007	2008	2009
High	30.8	31.4	34.0	33.6	31.1
Low	20.7	24.8	26.5	23.0	22.4



Cal-endar	QUARTERLY REVENUES (\$mill.)				Full Year
	Mar. 31	Jun. 30	Sep. 30	Dec. 31	
2006	91.0	44.3	35.1	60.8	231.2
2007	93.5	52.5	41.4	70.9	258.3
2008	100.3	49.1	49.6	72.4	291.4
2009	100.0	70.0	50.0	80.0	300

Cal-endar	QUARTERLY EARNINGS (Per Share)				Full Year
	Mar. 31	Jun. 30	Sep. 30	Dec. 31	
2006	1.01	.19	d.11	.62	(1)1.72
2007	1.18	.22	d.05	.60	(1)1.94
2008	1.10	.27	d.03	.64	1.98
2009	1.15	.30	d.02	.72	2.15

(1)—Quarters do not sum due to rounding.

Chesapeake Utilities Corporation reported earnings of \$1.98 a share and a dividend of \$1.20 a share in 2008, up from \$1.94 and \$1.17, respectively, in 2007. Operating income from its natural gas segment rose 15%, to \$25.8 million, through customer growth, an increase in firm transportation contracts, and successful rate increases. Its natural gas marketing subsidiary also contributed through better sales contract terms and higher margins on spot sales. The marketing segment further benefited from the commencement of natural gas supply management services in Delaware and Maryland. Gains from the natural gas

segment were partially offset, however, by a 65% decrease in operating income from its propane segment, which fell to \$1.6 million. Falling propane prices forced Chesapeake to write down the value of its propane inventory to market prices, while warmer weather in 2008, compared to 2007, coupled with increased customer conservation, resulted in a lower volume of propane sold. But the volatility in propane prices benefited its wholesale propane marketing subsidiary, which partially offset these declines. The company also took a charge of \$1.2 million in the second quarter that was related to a failed acquisition. Total operating revenues were up nearly 13% in 2008, but total operating income was only 1.3% higher, at \$28.5 million, because of the poor performance in its propane operations and the failed acquisition charge. The shares of Chesapeake Utilities Corporation are Especially Recommended for investors seeking income with the potential for some capital appreciation. Our outlook for 2009 includes revenues of \$300 million, earnings of \$2.15 a share, and dividends of \$1.23 a share.

E.W.U.

Cornell Companies, Inc.

(NYSE—CRN)

For Aggressive Investors

- Recommendation:** Hold
Recent Price: 19.37
Estimated Dividend Yield: Nil
2012-14 Potential Value: 60 (+210%)
Originally Recommended at: 22.04 in July 2008
Performance Record: -12.1%
Recommended Stop Loss: 14
Company Website: www.cornellcompanies.com

Cornell Companies, Inc. garnered revenues of \$101.5 million during the fourth quarter, 10.2% more than in the same period of the preceding year. A large portion of the gain stemmed from the gradual ramp of capacity at several recently expanded facilities, including the Big Spring Correctional Center, the D. Ray James Prison, and the Great Plains Correctional Facility. Still, the company has more room to grow, as total occupancy levels at residential facilities were 90.2% for the quarter, versus 93.9% (before many of its improvements) a year ago. This augurs well for Cornell's growth prospects, which should further benefit from additional planned expansions over the next year. The company is set to add 700 beds at its D. Ray James Prison by the beginning of the second quarter and 850 beds at the Regional Correctional Center by yearend. It is also scheduled to commence operation of its new 1,250 bed facil-

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1. The current recommendation for the company—Especially Recommended, Buy/Hold, Hold, or Switch. The recommendations are defined in Chapter One of this booklet.
 2. The price of the stock as of the date on which the prices for the issue were gathered, which is shown at the top of page two, Index to Stocks.
 3. Value Line's estimate of cash dividends to be paid over the next 12 months divided by the recent price.
 4. The stock's potential value three to five years from now, based on Value Line's projection of earnings for that period of time.
 5. The date and price of the special situation's original recommendation.
 6. The percent change in the price of the special situation from the time of its original recommendation to the day on which prices for the issue were gathered.
 7. The recommended stop loss is the price at which we recommend selling the stock if it is breached. The stop loss may be adjusted upward as the stock appreciates in value.
 8. If the company has an Internet address, it is provided here.
 9. The annual high and low share prices for up to five years, including the current year to date.
 10. A price chart showing two years of historical price data (if available) plotted on a logarithmic scale. Historical highs and lows are shown as well.
 11. The quarterly statistical array. It includes four years of quarterly sales (or revenues) and earnings, consisting of a combination of reported and estimated results. When three quarters of reported results are available for a fiscal year, estimates are presented for the following fiscal year as well.
 12. A discussion of factors influencing the decision to assign the stock its current recommendation—Especially Recommended, Buy/Hold, Hold, or Switch. Also included are a summary of pertinent details relating to the company's most recent operating results and Value Line's expectations for the near term.

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