



New Recommendations

RECENT PRICE	56.81	TRAILING P/E RATIO	NMF	RELATIVE P/E RATIO	NMF	DIV'D YLD	47.01 22.12	Nil	VALUE LINE	76.35 33.00
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RECENT EARNINGS

Portfolio Updates

THE VALUE LINE

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Special Situations Service®

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Economic view

The U.S. economy continues to perform nicely even as problems persist around the globe. To wit, we recently have seen a solid pickup in retail spending, the strongest showing in industrial production in eight months, somewhat better utilization rates at U.S. factories, and further resilience in housing, where starts recently climbed to their highest level since late 2007. Meanwhile, this is taking place as growth decelerates in China; debt woes linger in Greece; and oil slumps to multi-year lows on the world stage.

We see this benign U.S. outlook continu-

FOMC meeting (in July) indicated that the conditions for the first interest rate hike in nearly a decade had not been met as yet—especially in the area of inflation, which remains negligible. In our view, there now is less than an even chance for a rate increase when the Fed meets in three weeks, but it could be a close call.

Meanwhile, there are risks to our forecast, and these are largely, but not totally, on the global side. That said, we also sense that a misstep by the Fed or a major budget impasse in Washington could upset the balance in our economy. All the while . . .

The Value Line Special Situations Service

PRODUCT OVERVIEW

Published monthly, *The Value Line Special Situations Service* is designed to help investors build a portfolio that includes small company stocks. Smaller companies can offer higher growth potential, but investing in them can carry increased risk. The goal of *The Value Line Special Situations Service* is to help investors create a diversified small- and mid-cap portfolio that includes Aggressive companies that can be balanced with Conservative companies which operate in relatively stable industries. Each issue of *The Value Line Special Situations Service* includes a new Aggressive recommendation as well as a new Conservative recommendation. For Aggressive selections, the service seeks companies that have the potential to generate strong earnings growth over the next three to five years. Conservative selections might not have as much growth potential, but their share prices are typically not as volatile, and they may pay dividends. *The Value Line Investment Survey—Small & Mid-Cap* serves as the basis for all selections.

SPECIAL SITUATIONS RANKINGS

The Value Line Special Situations Service assigns each of its stocks one of four rankings:

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

Buy/Hold — A stock may be downgraded to Buy/Hold as it appreciates in value and approaches the target price. Other reasons may include 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. Investors who already own the stock should maintain their positions. Although stocks with this rank do not, in the service's opinion, have the same potential as stocks ranked Especially Recommended, in general, they are expected to match or outperform the market.

Hold — Stocks may be downgraded to Hold for similar reasons. Investors who already own the stock should maintain their positions, but additional purchases are not recommended. Occasionally, it may be suggested that

investors who have owned the stock since it was initially recommended, and have profited from their positions consider selling some of their shares at this time in order to lock in their gains and use the proceeds to invest in one or more of the service's Especially Recommended stocks.

Sell — Investors are advised to sell and apply the proceeds to one or more current Especially Recommended stocks in the service. A stock may be downgraded to Sell if it meets or exceeds the 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 which have caused the share price to fall below our stop loss (discussed below). The Sell recommendation represents the final review by *The Value Line Special Situations Service*.

In addition to downgrades, stocks rated Hold or Buy/Hold may be upgraded from time to time, as circumstances warrant.

FEATURES OF THE VALUE LINE SPECIAL SITUATIONS SERVICE

Included with each new recommendation is a detailed report that provides an overview of the company, an examination of its finances, and a discussion of the stock's potential over the next three to five years. The most-recent stock report from *The Value Line Investment Survey — Small & Mid-Cap*, which offers a wealth of historical financial data, is also provided. Note that the ranks shown in the top-left corner of the stock report page were current as of the date shown below the business description, and may have changed. All new recommendations have a current Performance Rank of 3 (Average), 2 (Above Average), or 1 (Highest).

The Projected Valuation box that is provided with each new recommendation includes the service's forecast for revenues, earnings per share, and a 3- to 5-year price target. The projected earnings per share growth rate is an annualized rate over a five-year period, starting with the most recently completed fiscal year. The five-year price target is determined by multiplying the estimated earnings per share by the appropriate price-earnings multiple as determined by our Research Department.

Every issue includes detailed updates on six companies recommended previously by *Special Situations*. Companies

are updated on a periodic basis, until a sale (i.e., Sell) of the stock is advised. Each update provides the current ranking of the stock, the recent share price, the estimated dividend yield over the next 12 months, the estimated share price within the next three to five years, and the date and price when the stock was initially recommended. In addition, each update contains the stock's performance record since it was initially recommended, the recommended stop-loss price, the company's 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. A detailed synopsis of recent company developments and our current opinion of the stock's potential are also provided.

Other features include a Portfolio page which lists all the stocks followed by *Special Situations*, which are broken down into Aggressive and Conservative portfolios. The portfolio tables also include the recent share price, the estimated dividend yield over the next 12 months, and the date and price when the stock was initially recommended.

On the front page is an economic overview titled "Economic View." The Portfolio Update features stocks in the service that had notable developments since the previous month's issue which may have had a material effect on the share price or rank. Make sure to check this section each month, as it has rank changes — including Sell alerts — for stocks that are not otherwise updated in the issue.

STOP LOSS

Since 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. As such, a stop loss price for each stock in the service is set in order to 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, a Sell alert is generally placed on the security, and investors are advised to apply the remaining proceeds to one or more of the service's Especially Recommended stocks.

HOW TO GET THE MOST OUT OF SPECIAL SITUATIONS

The goal of *The Value Line Special Situations Service* is to help investors build a balanced, diversified portfolio of small- and mid-cap stocks as part of their overall investment mix. A balanced portfolio may help offset some of the risk associated with investing in small, speculative, or start-up companies.

Subscribers are advised to consider fully the information contained in the New Recommendation reports 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 equities 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 offer the potential for substantial capital appreciation, they carry an elevated level of risk. We strongly recommend the use of stop losses when investing in these companies, as the potential for significant, rapidly occurring losses is present, but so is the prospect of market-beating gains.

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