Economic Indicators

Economic Indicators: An Update for the 7 Rivers Region reports on a long-term study of regional economic indicators. The research is ongoing and spans a period of time to enable us to understand and report trends. This project is expected to continuously build on a base of economic information and provide decision makers with valuable tools for strategic planning. The information will also provide a basis for comparison with other regions and a measure of our progress.

State Bank Financial sponsors this research project in collaboration with the University of Wisconsin-La Crosse College of Business Administration and the *La Crosse Tribune*. These programs will continuously build on a base of information and provide decision makers like you with valuable tools for strategic planning.

Specific goals of this project are:

- Support business owners in their business decisions by gathering key local economic indicators and trend information.
- Develop specific economic indicators for this region that are not readily available to decision makers.
- Develop tools to assess our progress in economic growth. Prepare baseline measures that will allow comparison with other regions and measure future progress of the region.
- Track the region's participation in the "new economy" and development in the high tech arena.
- Bring professionals together with business owners for discussion about the local economy and related critical issues.
- Create a business recruitment and retention tool by publishing the information.

Core economic indicators cover the following areas:

- Employment
- Income
- Cost of Living
- Consumer Attitude and Behavior
- Real Estate and Housing
- Interest Rates
- Equity Performance

Economic Indicators and Trends

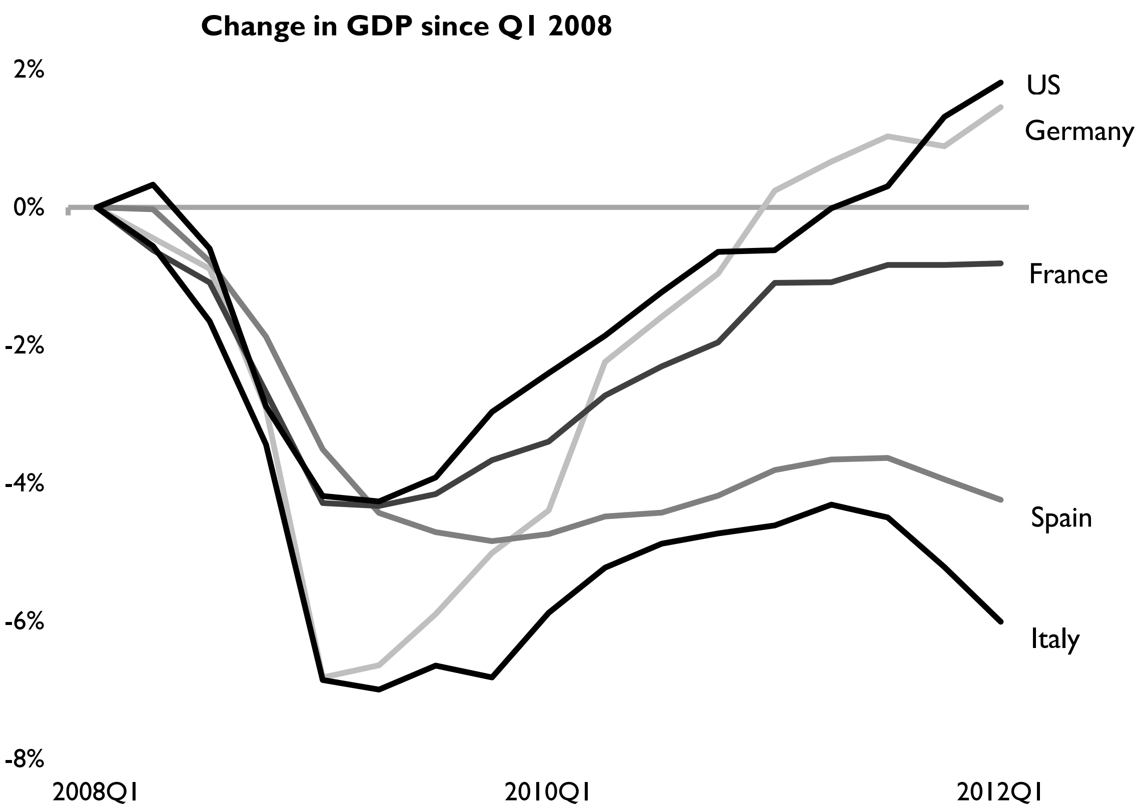
Taggert J. Brooks, Ph.D., UW-La Crosse Department of Economics

Core economic indicators have been tracked since 2001 to have objective measures for our 7 Rivers Region economy. The special focus of the fall meeting is access to capital.

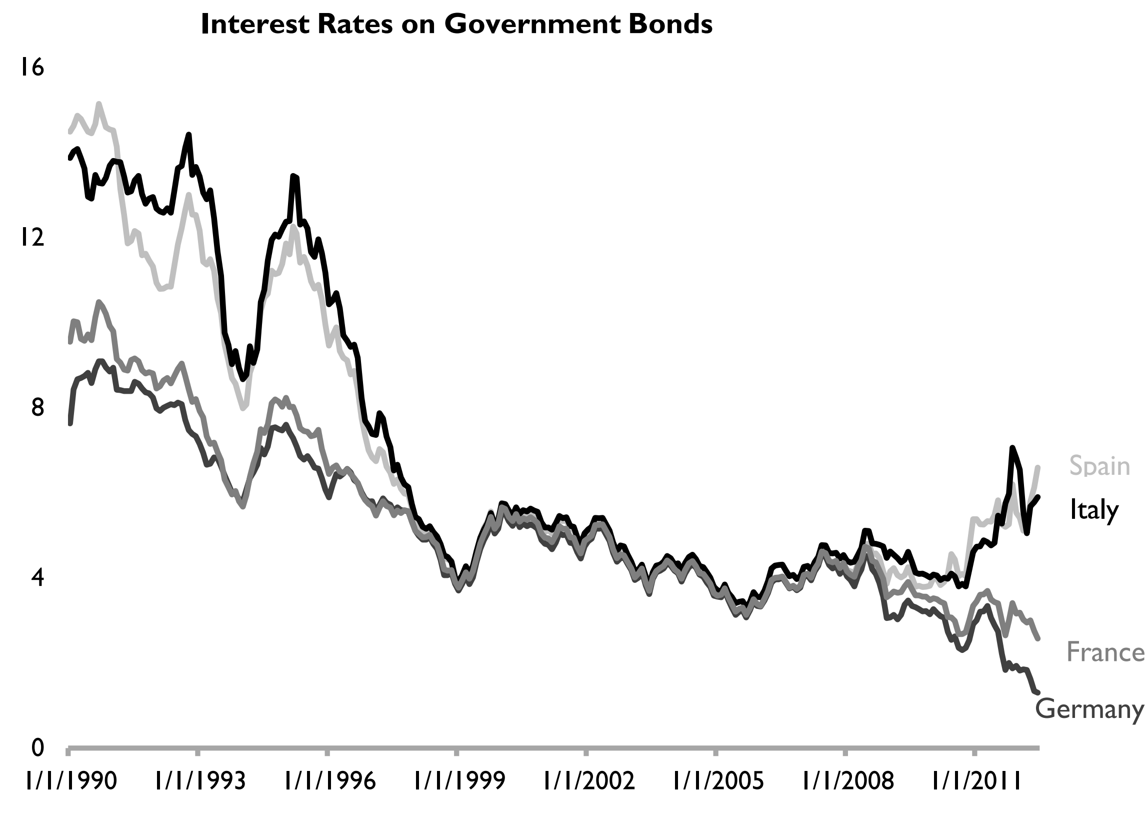
Please note: Dr. Brooks occasionally writes on the 7 Rivers Region Economics blog, which will contain ideas and writings that may or may not be included in this publication provided at the Economic Indicators breakfast meetings. Dr. Brooks will use the blog to track different topics and collect ideas. The Web address is: http://sevenriversecon.blogspot.com/.

April 2012: The Euro Blues

The spring and summer have seen tepid growth in the US, held back in part by even slower growth in Europe. In fact as the chart below shows, several European countries have recently experienced a decline in GDP, pushing them into a double dip recession. While Italy, Spain and Greece have been in the news France has also seen flat GDP growth and Britain (not shown below) has seen a decline in GDP. Relatively speaking the US recovery has outpaced that of most of Europe.

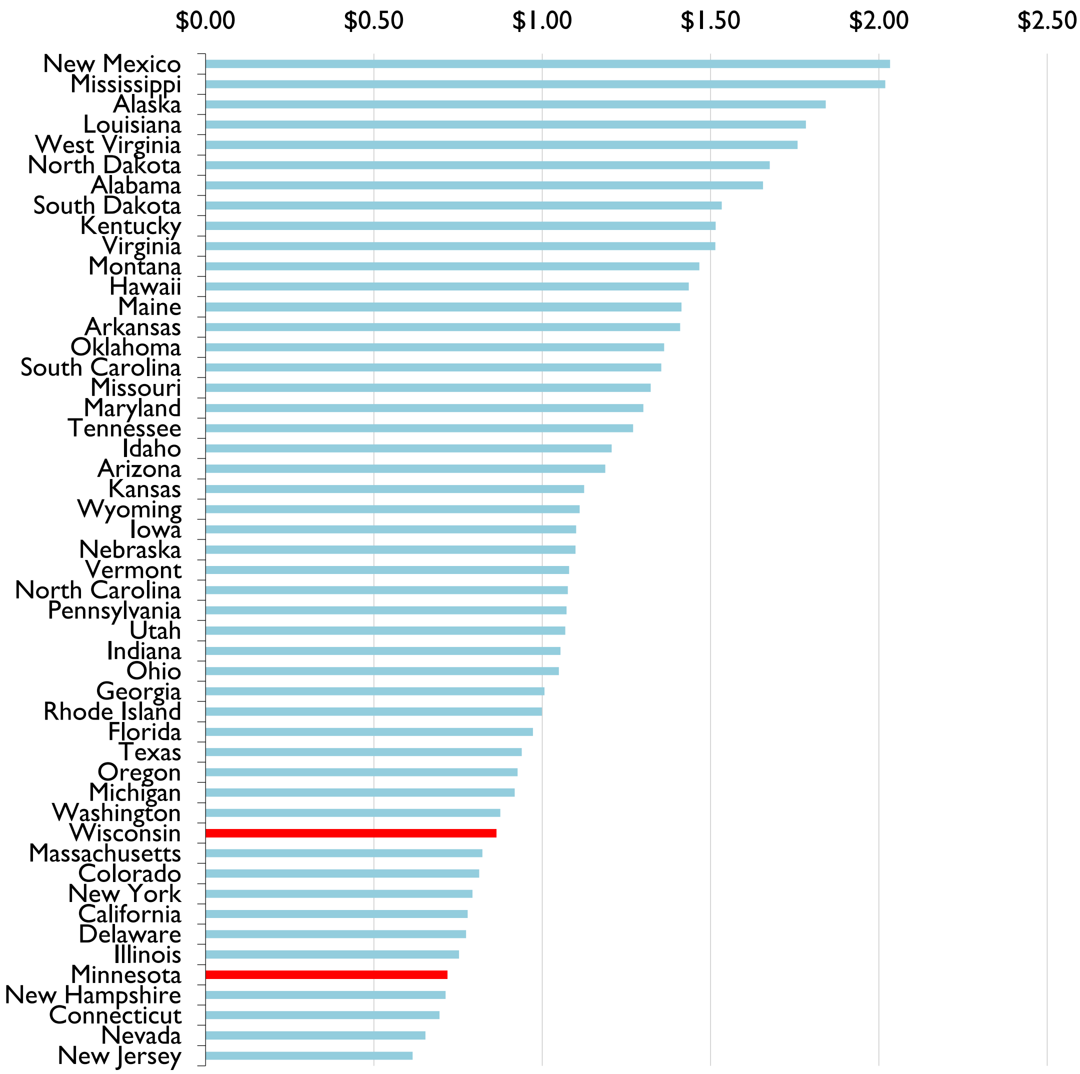


One of the primary concerns for the US and regional economy going forward is the economic situation in Europe. Should the financial crisis there spread further and deeper it will become another unwanted headwind for the US economy. The situation in Europe is precarious and the long term viability of their monetary union is in jeopardy. It is hard to predict what the effects of a Euro currency collapse or even something short of a complete collapse in the currency union might be; however, it does seem as though the pressure on the currency is insurmountable. The graph below shows interest rates on government bonds, before the fixing of exchange rates in 1999 and after. We can see that interest rates converged as you would expect. However, they have recently diverged as the market requires a risk premium from Spain, Italy and to a lesser degree France. This is not sustainable for all the countries of the union absent large fiscal transfers from Germany to the others.



The relatively better performance by the US economy is due in part to the fiscal and monetary stimulus implemented in the US. The European Central Bank has not been as aggressive as the Federal Reserve at lowering interest rates and pursuing quantitative easing. The US also had relatively larger fiscal stimulus through payroll tax holidays, and spending increases, along with large transfers to states. Combine that with a quicker end to the financial crisis and banking problems here have all helped the US outperform the Euro area. Even now as the ECB and the Euro area governments try to come to some resolution they are hampered by an inability to agree on a solution. This is in part because they are having trouble apportioning losses. Who should lose? The bankers? The Germans? The Greeks? It is a hard question to resolve and not entirely different than the one we faced in the US and continue to face.

The US is an example of a long standing monetary union, but there are some fundamental differences between the US and the Euro area countries. The foremost of those differences is the institutionalized cross border fiscal transfers in the US. By that I mean, the federal revenue collected from some states far exceeds (or falls short) of the federal expenditures on that state. The Euro area does not have the same mechanism, and thus they need to figure out who will cover the losses. The graph below displays the Federal spending in the state for every dollar of revenue collected from the state's residents.



Federal Spending in State per Dollar of Federal Taxes Collected from State

While the data are from 2005 they have been largely stable in their magnitudes over time.[1] Both Wisconsin and Minnesota receive far less than they contribute, yet you seldom hear residents of those states complain about having their tax revenue shipped off to states like North Dakota or Alaska. Yet the discussion between Euro area leaders for the last eight months has basically been a fight over how much has to be transferred between countries. And make no mistake about it, this requires transfers from the Germans to much of the rest of Europe. The alternative is for Germany to let the other countries leave the Euro and then they lose their competitive advantage with their intra-euro exports.

Fiscal Cliff

The second and probably larger immediate concern for economic growth in the United States and the 7 Rivers Region going forward is the so called "fiscal cliff," and the impending "taxmageddon." The fiscal cliff refers to the significant reduction in the budget deficit and corresponding slowing of the economy if specific laws are allowed to automatically expire at the end of 2012. This includes the Bush tax cuts, a fix to the Alternative Minimum Tax (AMT), and some automatic spending cuts. The rapid and sudden removal of fiscal stimulus (reduction of the deficit) is currently predicted to push the US into recession by the non-partisan Congressional Budget Office (CBO).[2] The graph below comes from the CBO report and clearly shows a predicted decrease in GDP based on current law. Additionally, GDP is not expected to return to potential until after 2017.

Turning to the regional impact we have the report from the Tax Foundation on the impending tax increase.[3] The abridged table from the report can be found below. It highlights the tax savings by state and per return under two scenarios, one where the AMT is fixed and one where it is not patched. We can see that the one year savings are a large potential stimulus, and the removal of such stimulus that comprises current law would be a painful shock to take home pay.

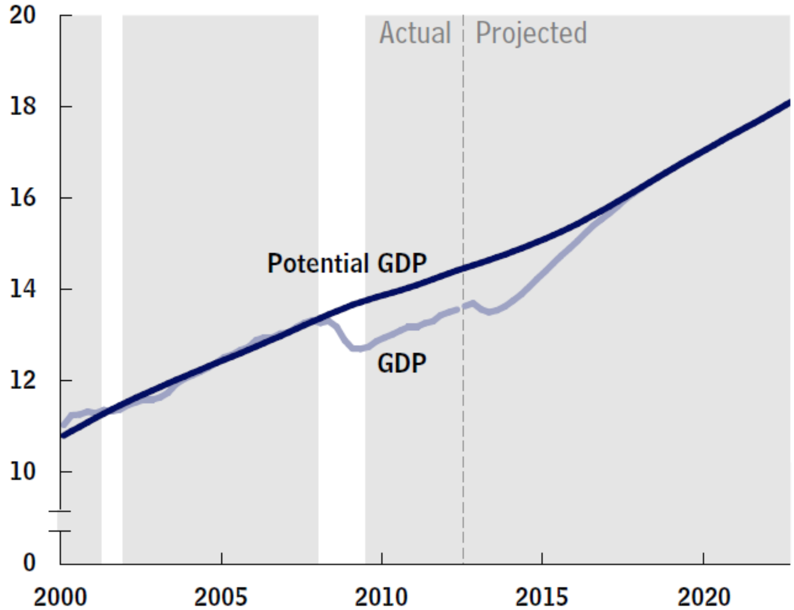
Table 1. Tax Relief from a One-Year Extension of Bush Tax Cuts and AMT Patch

	Extension with AMT Patch		Extension without AMT Patch	
	As a Share of Income	Per Tax Return	As a Share of Income	Per Tax Return
Iowa	3.65%	$1,882	2.27%	$1,167
Minnesota	4.76%	$2,833	2.48%	$1,474
Wisconsin	4.19%	$2,196	2.33%	$1,224

[1] "Federal Taxes Paid vs. Federal Spending Received by State, 1981-2005," *Tax Foundation*, 2007, accessed August 2012, http://taxfoundation.org/article/federal-taxes-paid-vs-federal-spending-received-state-1981-2005.
[2] "An Update to the Budget and Economic outlook: Fiscal Years 2012 to 2022," Congressional Budget Office, August 2012, http://www.cbo.gov/sites/default/files/cbofiles/attachments/08-22-2012-Update_to_Outlook.pdf.
[3] William McBride, Ed Gerrish, "How the States Would Be Affected by Extension of the Bush Tax Cuts and Other Provisions," *Tax Foundation*, August 2012, http://taxfoundation.org/article/how-states-would-be-affected-extension-bush-tax-cuts-and-other-provisions.

GDP and Potential GDP

(Trillions of 2005 dollars)

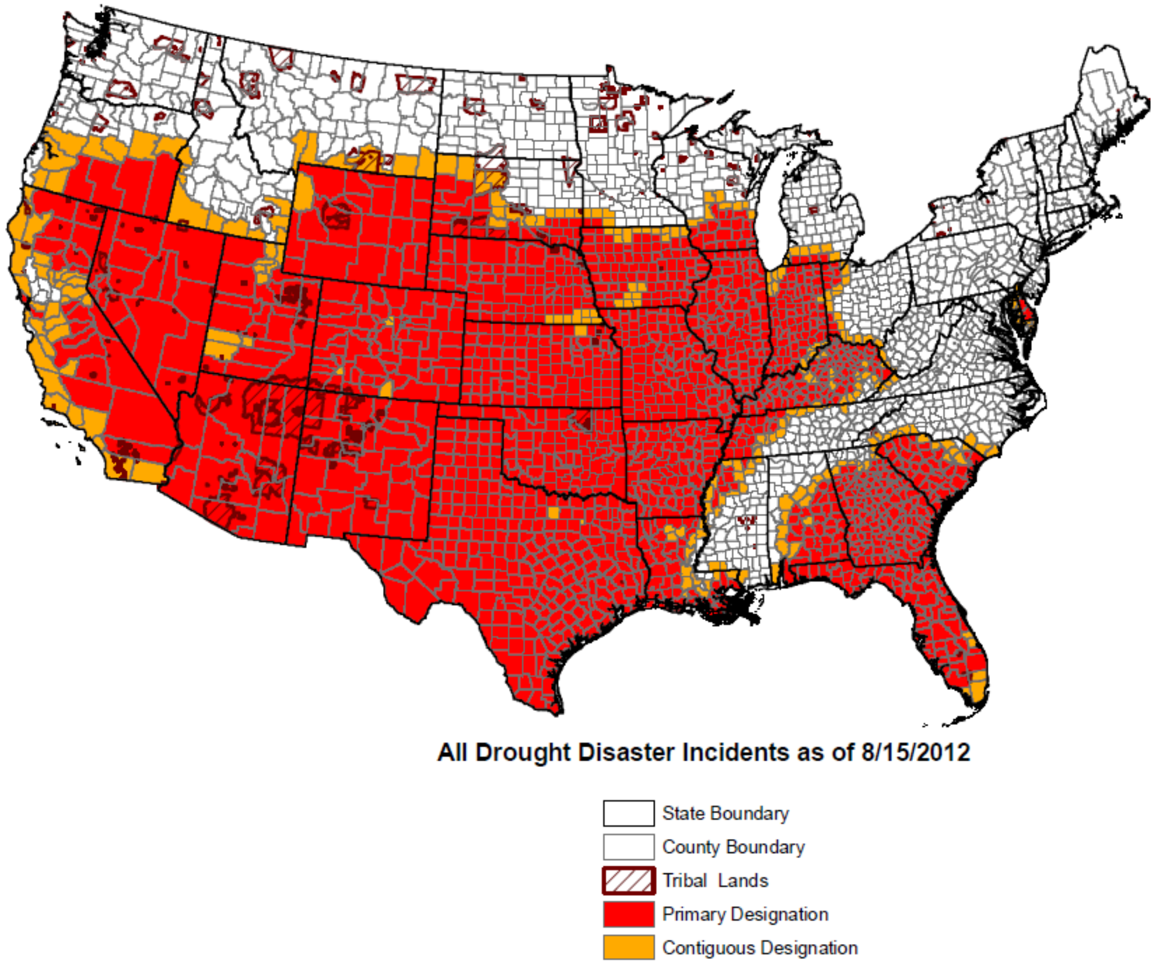


Sources: Congressional Budget Office; Department of Commerce, Bureau of Economic Analysis.

The Drought of 2012

The graph below depicts the current drought disaster areas. Being on the northern edge, our yields will likely be higher than the most severely affected drought areas, even if they are below what they would have been otherwise. While many farmers are in fact protected from crop loss through federal reinsurance, some farmers in the non-drought areas will benefit from the substantially higher prices.[4]

[4] Alyssa Botelho, "Drought Puts Federal Crop Insurance under Scrutiny," *The Washington Post*, August 2012, http://www.washingtonpost.com/national/health-science/drought-puts-federal-crop-insurance-under-scrutiny/2012/08/13/3d9e2960-e0c7-11e1-a19c-fcfa365396c8_story.html



The current corn futures for delivery in September of 2012 are twice as much as they were two years ago, and 50% higher than they were just six months ago.[5] This isn't all good news as some of the regions agriculture industries use corn and other drought affected crops as inputs. Food manufacturers/processors, for example, will experience increases in input prices, some of which they will need to absorb and some of which they will likely be forced to pass on to the customer. The USDA estimates that the consumer price index for "All Food" (both food at home and food away from home) will rise by 2.5% to 3.5% in 2012 and 3.0% to 4.0% in 2013. This follows an increase in 2010 of 0.8% and 3.7% in 2011.[6] Food represents about 14% of a typical family's expenditures. Obviously families on the lower end of the income distribution spend proportionally more.

Access to Capital

The main focus of the fall meeting concerns access to capital. Let me begin the discussion by highlighting a few terms and some stylized facts. Most new investment decisions - and here I am

[5] http://www.cmegroup.com/popup/mdq2.html?code=ZCU2&title=September_2012_Corn&type=p#link=monthly
[6] "Food Price Outlook," *USDA Economic Research Service*, accessed August 2012, http://www.ers.usda.gov/data-products/food-price-outlook.aspx

talking specifically about business investment, that is to say the purchase of new equipment, new buildings, software, or other substantive contributions to the productive capacity of the firm - are financed internally by the firm. According to Ross (1993) some 80% of new investment is financed internally.[7] They finance it either through profits from activities, or other cash sources available to the firm, such as owner's equity. Turning to the remaining portion of new investment that is financed externally to the firm we find that the primary source is bank loans. Some 40% of externally financed investment comes from bank loans. The US with its well-developed capital market relies on banks far less than other countries. Japan, for example, financed nearly 90% of new investment through banks in the mid-90s. Though it should be noted that recent history suggests the differences between the more "capital market based" oriented US and UK economies and the more "bank-based" market countries like Japan and Germany are far smaller than the data from the 1990's suggests. Here are a few other stylized facts concerning external firm finance:

- Stocks are not the most important sources of external financing for businesses.
- Issuing marketable debt and equity securities is not the primary way in which businesses finance their operations.
- Financial intermediaries are the most important source of external funds.
- The age of the firm affects the source(s) of finance.
- The size of the firm affects the source(s) of finance.

That said there is a lot of focus on financing for young or new firms, largely due to the belief that they represent the most rapid potential growth. Governments and Economic Development corporations believe these new firms represent potentially large sources of job growth. The largest difficulty for financial markets when funding new firms or even young firms is the challenge of transparency and monitoring. It is hard to know whether the firm or, as in most cases, the individual entrepreneur will be successful, or whether they are using the funds appropriately. This "asymmetric information" challenge often leads to difficulties in accessing capital. While many new forms of funding have been implemented over the years, from micro finance, angel investors, revolving loan funds and crowd funding, the fundamental challenges remain.

Let me turn to the issue of access to capital in the 7 Rivers Region. The survey was emailed the beginning of August, 2012 to a list of 770 past participants in the Economic Indicators Breakfast meetings. There were 197 surveys completed yielding a response rate of 25.6%. In addition to the traditional five questions on consumer sentiment we also asked a sub-sample of the respondents a few questions concerning access to capital for their private businesses.[8] These additional questions were provided by Vicki Markussen, Executive Director of the 7 Rivers Alliance. The first question asks about various avenues by which a firm might access capital. The respondents were instructed to rate it from scale of 1 (Poor) to 5 (Excellent). The respondents ranked the availability of capital from banks the highest. As I previously noted this is in fact where most firms get their external finance, through banks. The other categories are far less frequently used and it is not surprising to find that firms feel availability is lower.

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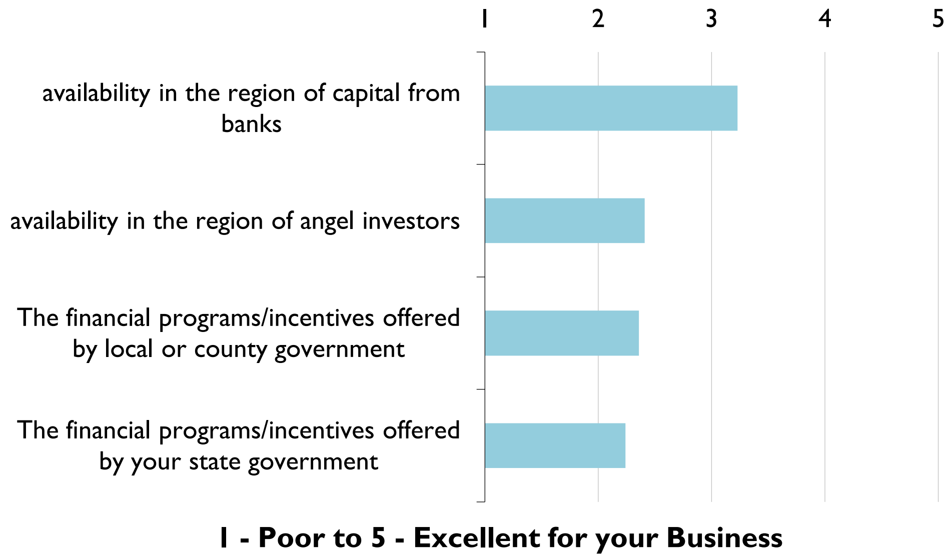
[7] Joao F. Gomes, "Financing Investment,"*The American Economic Review*, Vol. 91, No. 5, 2001, accessed August 2012, http://finance.wharton.upenn.edu/~gomesj/Research/Investment.pdf.

[8] The results from the recurring consumer sentiment survey can be found in the appendix.

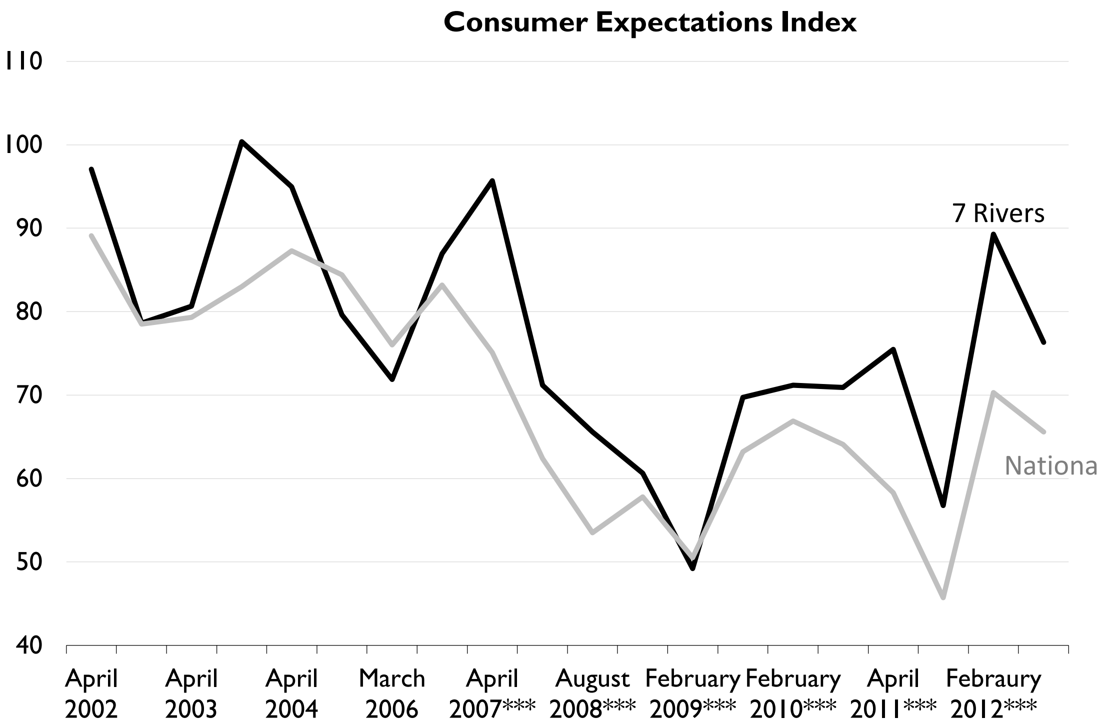


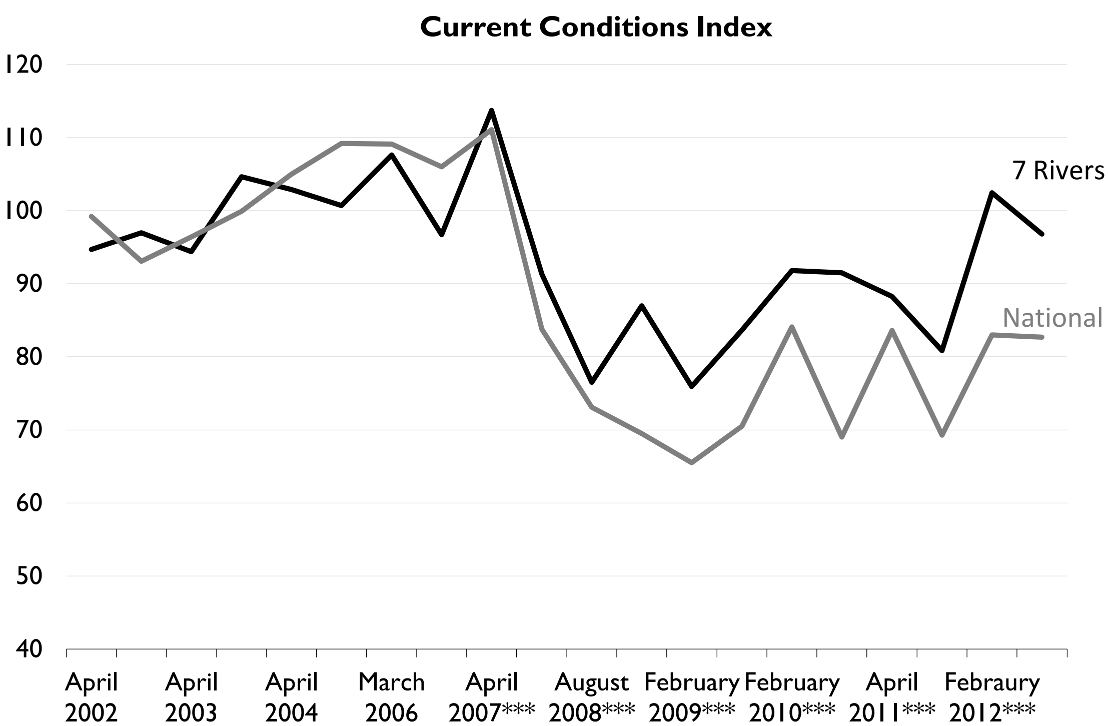
Turning to the next question we asked who the individuals consulted when contemplating expansion in their business. They were allowed to choose only one answer so as to illicit the most important. A large portion said "Other," which included answers such as "myself" or "my family." "Our Bank" turned out to be most important. This highlights one of the reasons why most external finance occurs through the banking sector. In order to insure repayment of a loan, banks need to monitor the firm's progress. This often entails regular financial reporting to the bank. The oversight involves the bank assessing the continued credit worthiness of the firm, along with the likely success of the firm's investment. Naturally the bank has opportunities to provide their insight and advice, and as we can see from the chart below, the firms often find this useful. While we did not collect data on the size of the firm, I image the smaller the firm the less oversight and more advice that occurs in the relationship between banker and firm. The second most comment answer was "Our Accountant."

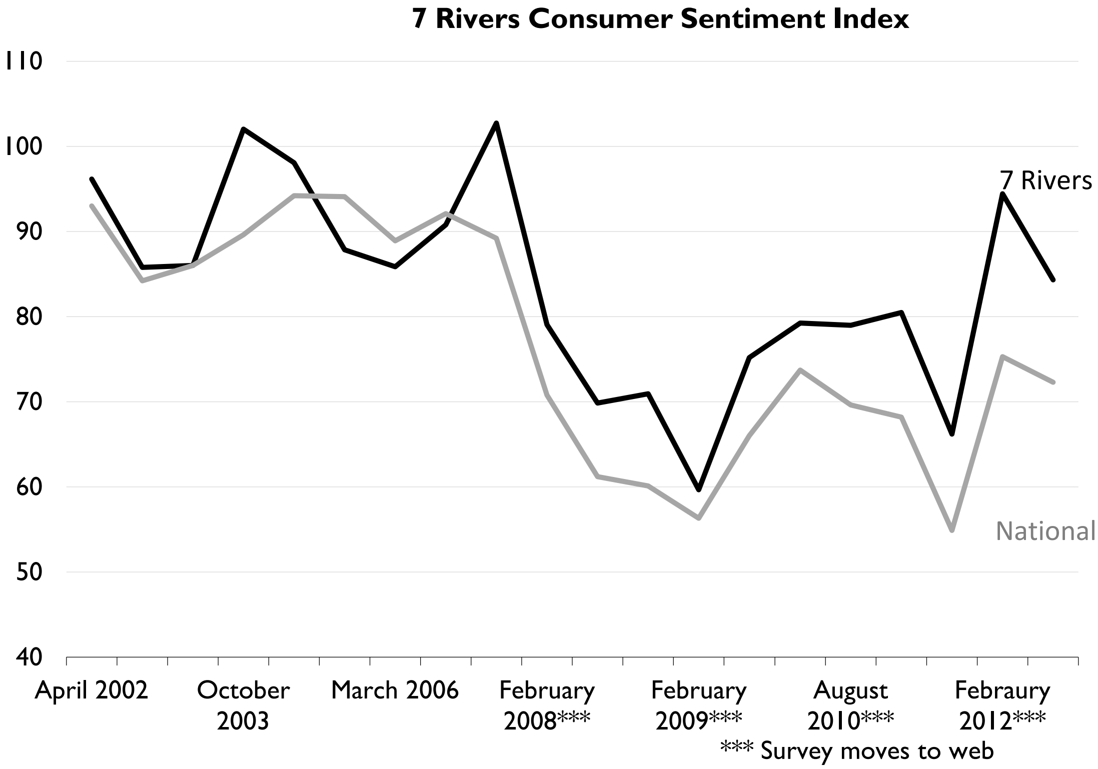
Appendix:

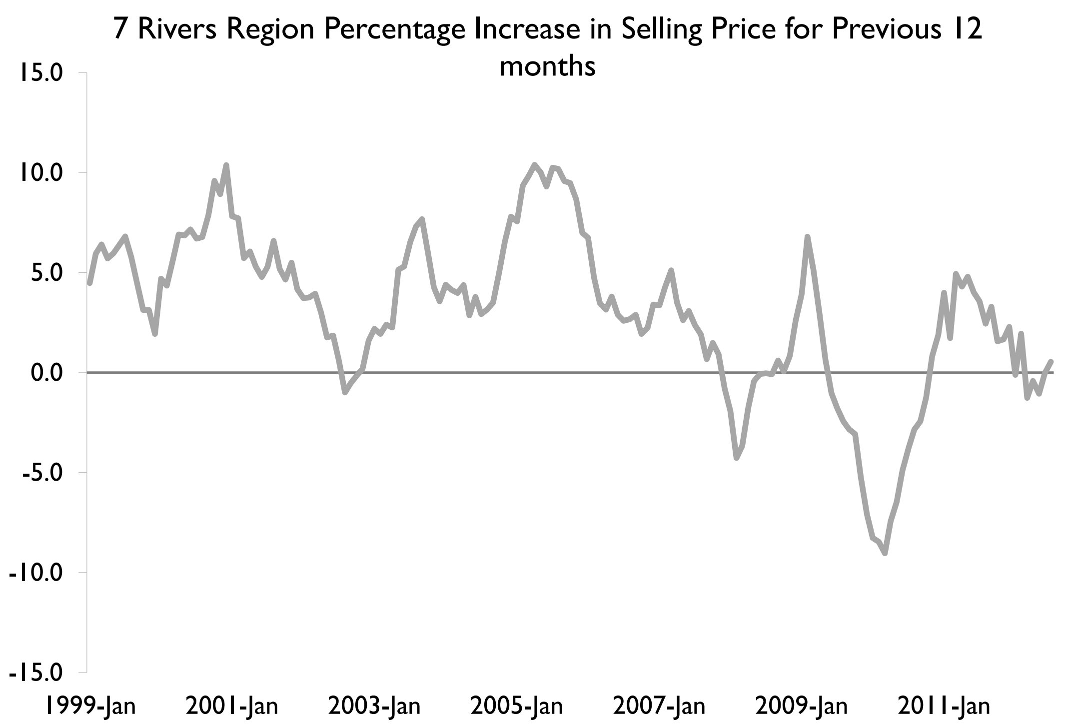
	Consumer Sentiment		Current Conditions		Consumer Expectations	
	7 Rivers	**National**	**7 Rivers**	**National**	**7 Rivers**	**National**
April 2002	96.1	93	94.7	99.2	97.1	89.1
November 2002	85.8	84.2	97.0	93.1	78.6	78.5
April 2003	86.0	86	94.4	96.4	80.6	79.3
October 2003	102.0	89.6	104.6	99.9	100.4	83.0
April 2004	98.1	94.2	102.9	105	95.0	87.3
February 2005	87.9	94.1	100.7	109.2	79.6	84.4
March 2006	85.9	88.9	107.6	109.1	71.9	76.0
November 2006	90.8	92.1	96.7	106	86.9	83.2
April 2007***	102.7	89.2	113.7	111.1	95.7	75.1
February 2008***	79.1	70.8	91.3	83.8	71.2	62.4
August 2008***	69.9	61.2	76.5	73.1	65.6	53.5
December 2008***	70.9	60.1	87.0	69.5	60.6	57.8
February 2009***	59.7	56.3	75.9	65.5	49.2	50.5
July 2009***	75.2	66	83.7	70.5	69.7	63.2
February 2010***	79.2	73.7	91.8	84.1	71.2	66.9
August 2010***	79.0	69.6	91.5	69.0	70.9	64.1
April 2011***	80.5	68.2	88.2	83.6	75.5	58.3
August 2011 ***	66.2	54.9	80.8	69.3	56.8	45.7
February 2012 ***	94.4	75.3	102.4	83.0	89.3	70.3
August 2012 ***	**84.3**	**72.3**	**96.8**	**82.7**	**76.3**	**65.6**

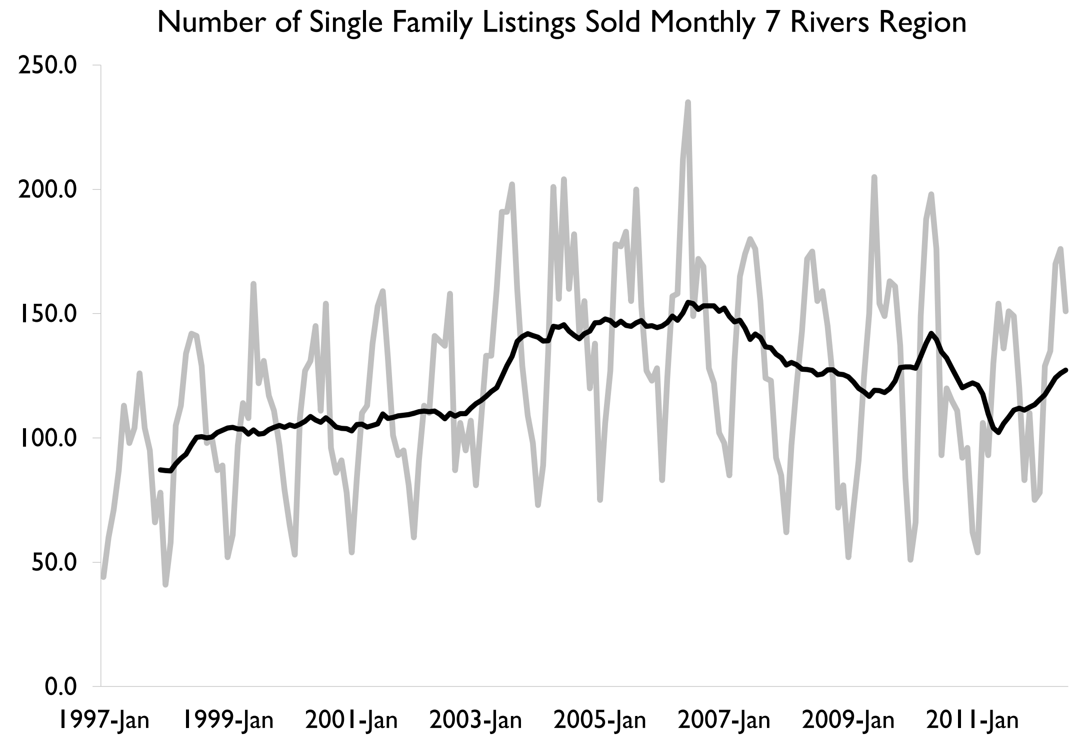
***** Survey moved to the web.**

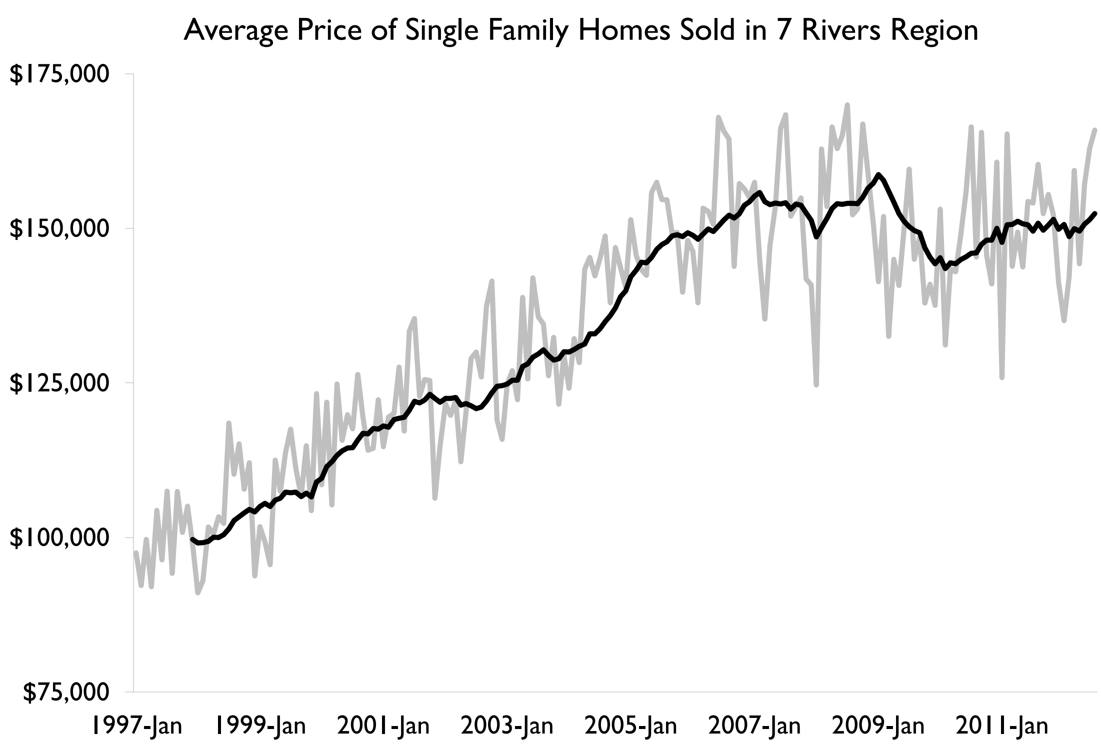

Consumer Expectations Index
110
100
90
80
70
60
50
40
7 Rivers
National
April 2002
April 2003
April 2004
March 2006
April 2007***
August 2008***
February 2009***
February 2010***
April 2011***
Febraury 2012***

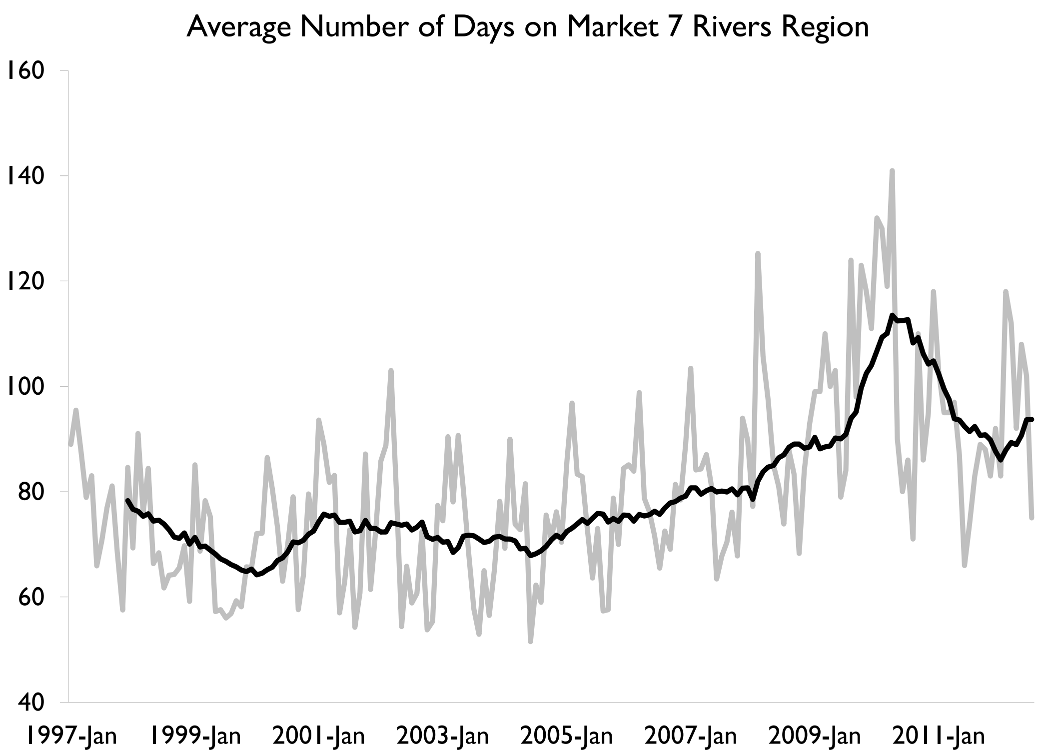

Current Conditions Index
120
110
100
90
80
70
60
50
40
7 Rivers
National
April 2002
April 2003
April 2004
March 2006
April 2007***
August 2008***
February 2009***
February 2010***
April 2011***
Febraury 2012***

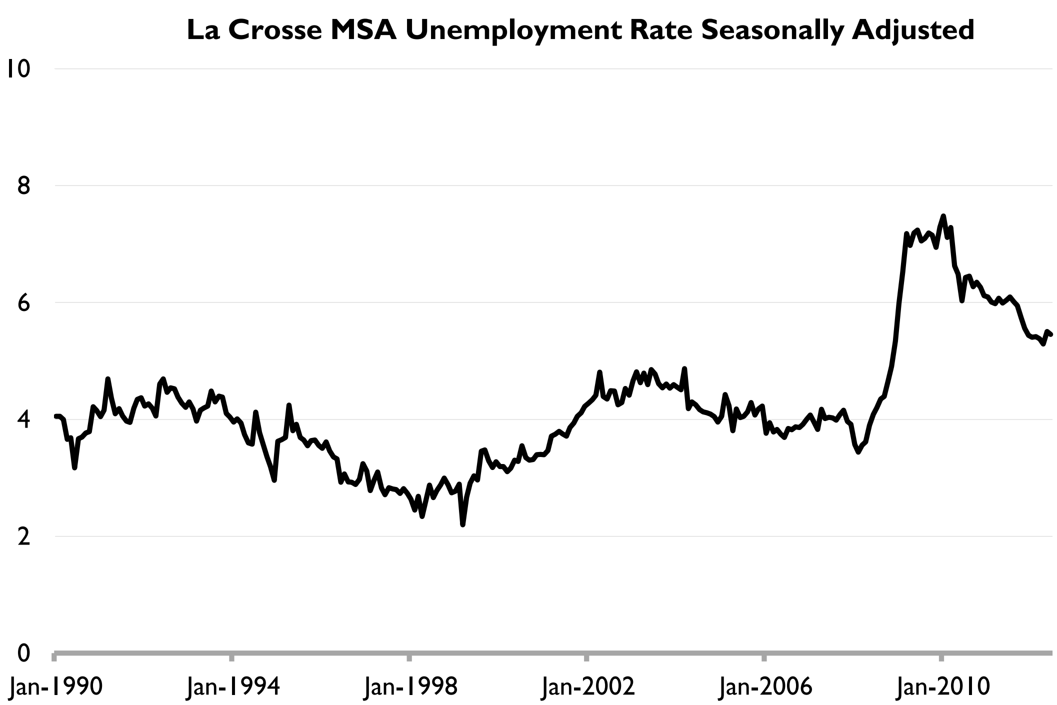

7 Rivers Consumer Sentiment Index
110
100
90
80
70
60
50
40
7 Rivers
National
April 2002
October 2003
March 2006
February 2008***
February 2009***
August 2010***
Febraury 2012***
*** Survey moves to web

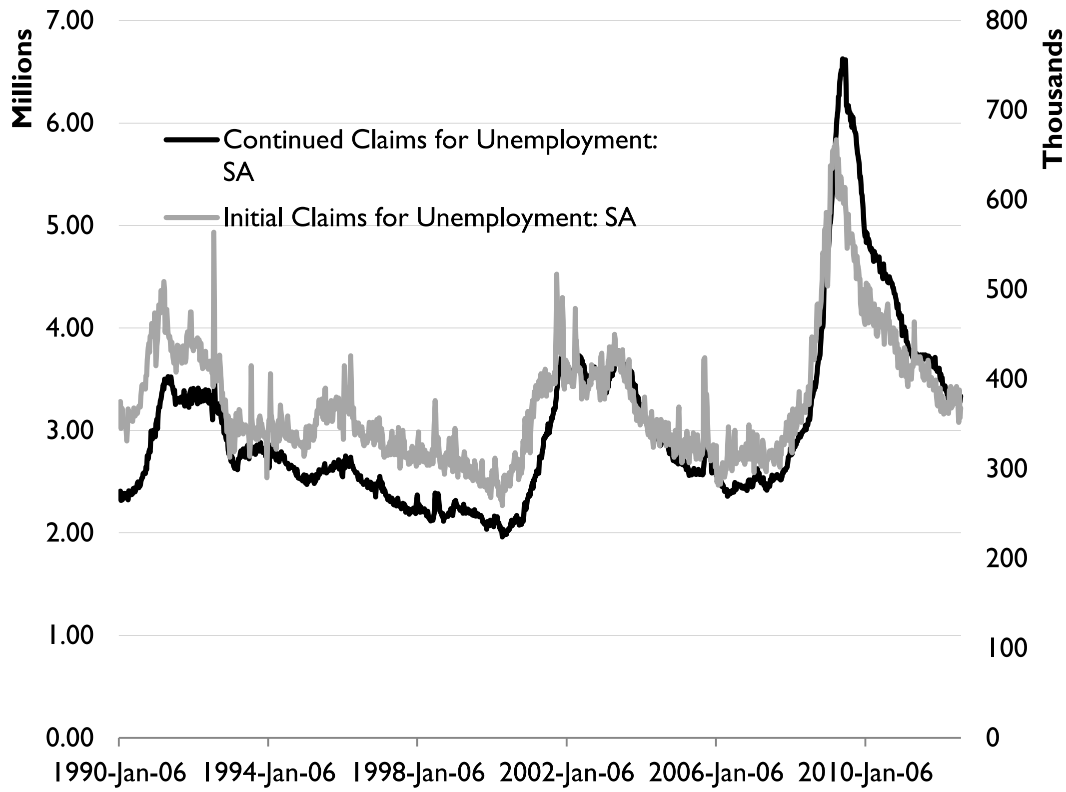

7 Rivers Region Percentage Increase in Selling Price for Previous 12 months
15.0
10.0
5.0
0.0
-5.0
-10.0
-15.0
1999-Jan
2001-Jan
2003-Jan
2005-Jan
2007-Jan
2009-Jan
2011-Jan

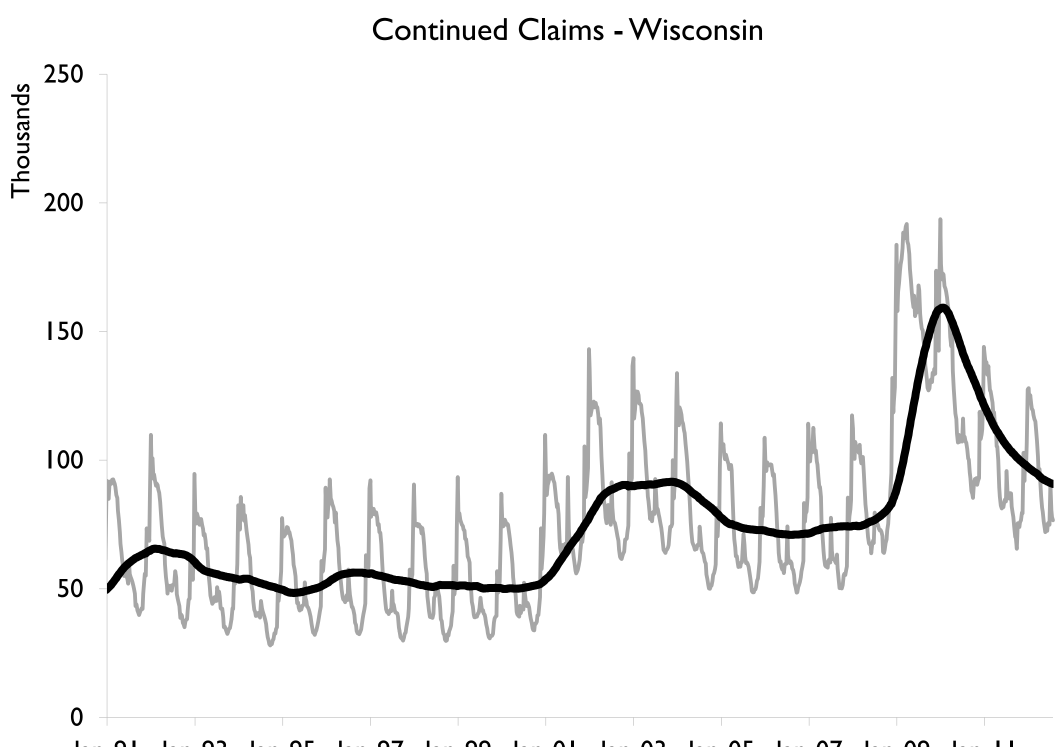

Number of Single Family Listings Sold Monthly 7 Rivers Region
250.0
200.0
150.0
100.0
50.0
0.0
1997-Jan
1999-Jan
2001-Jan
2003-Jan
2005-Jan
2007-Jan
2009-Jan
2011-Jan


Average Price of Single Family Homes Sold in 7 Rivers Region
$175,000
$150,000
$125,000
$100,000
$75,000
1997-Jan
1999-Jan
2001-Jan
2003-Jan
2005-Jan
2007-Jan
2009-Jan
2011-Jan

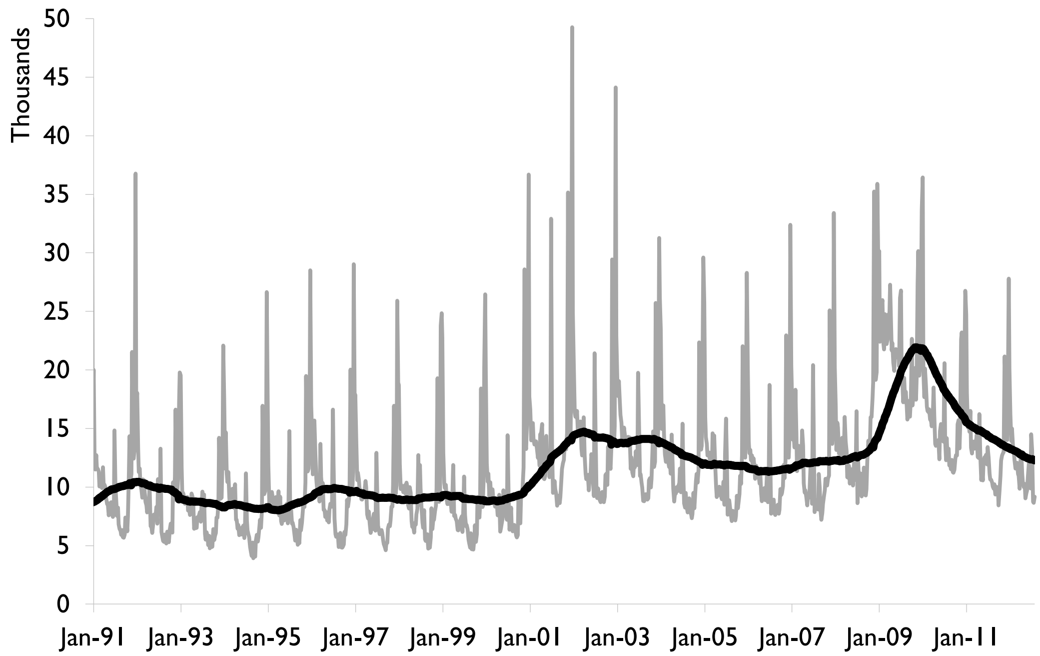

Average Number of Days on Market 7 Rivers Region
160
140
120
100
80
60
40
1997-Jan
1999-Jan
2001-Jan
2003-Jan
2005-Jan
2007-Jan
2009-Jan
2011-Jan


La Crosse MSA Unemployment Rate Seasonally Adjusted
10
8
6
4
2
0
Jan-1990
Jan-1994
Jan-1998
Jan-2002
Jan-2006
Jan-2010

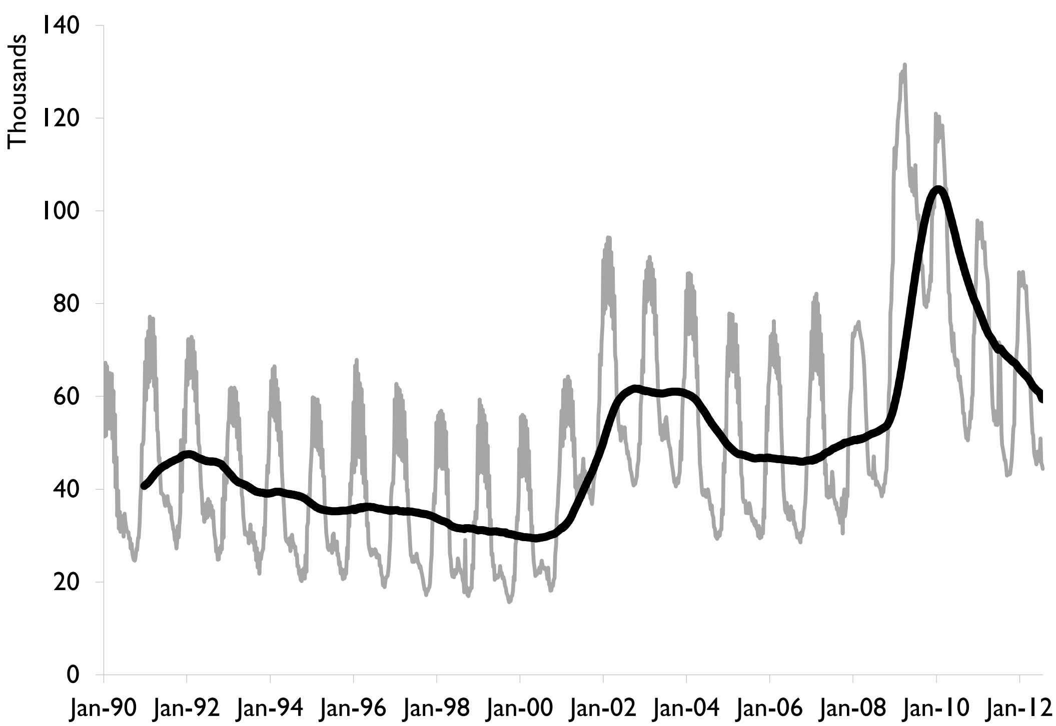

Millions
Thousands
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
800
700
600
500
400
300
200
100
0
Continued Claims for Unemployment: SA
Initial Claims for Unemployment: SA
1990-Jan-06
1994-Jan-06
1998-Jan-06
2002-Jan-06
2006-Jan-06
2010-Jan-06


Continued Claims - Wisconsin
Thousands
250
200
150
100
50
0
Jan-91
Jan-93
Jan-95
Jan-97
Jan-99
Jan-01
Jan-03
Jan-05
Jan-07
Jan-09
Jan-11

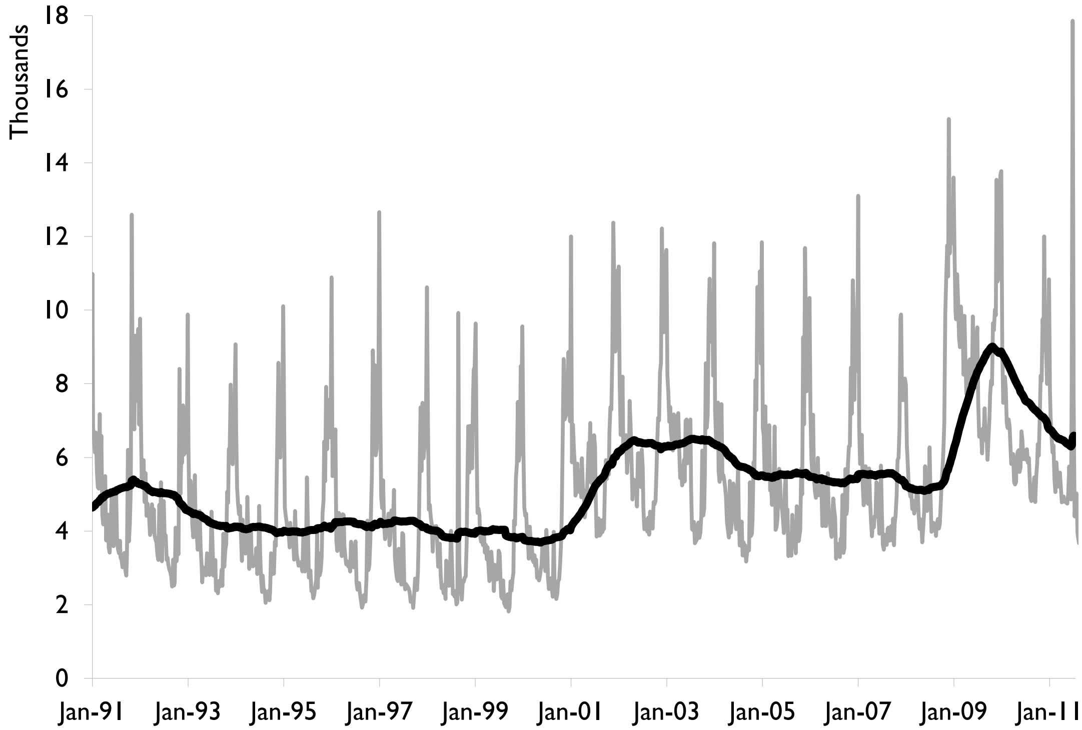
Initial Claims - Wisconsin

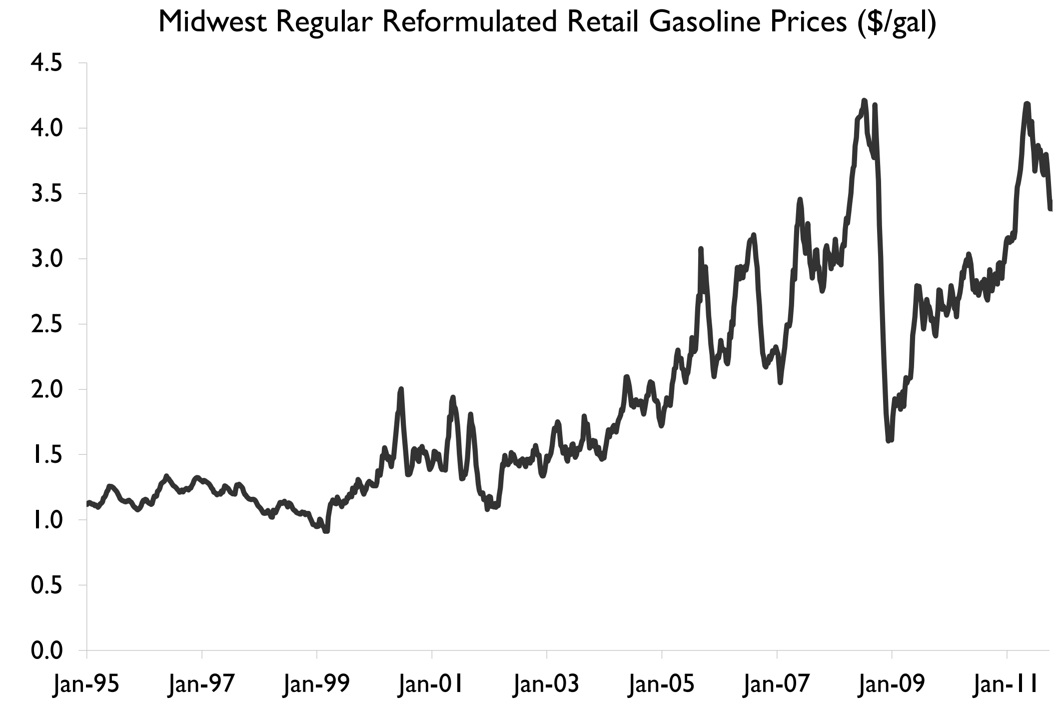


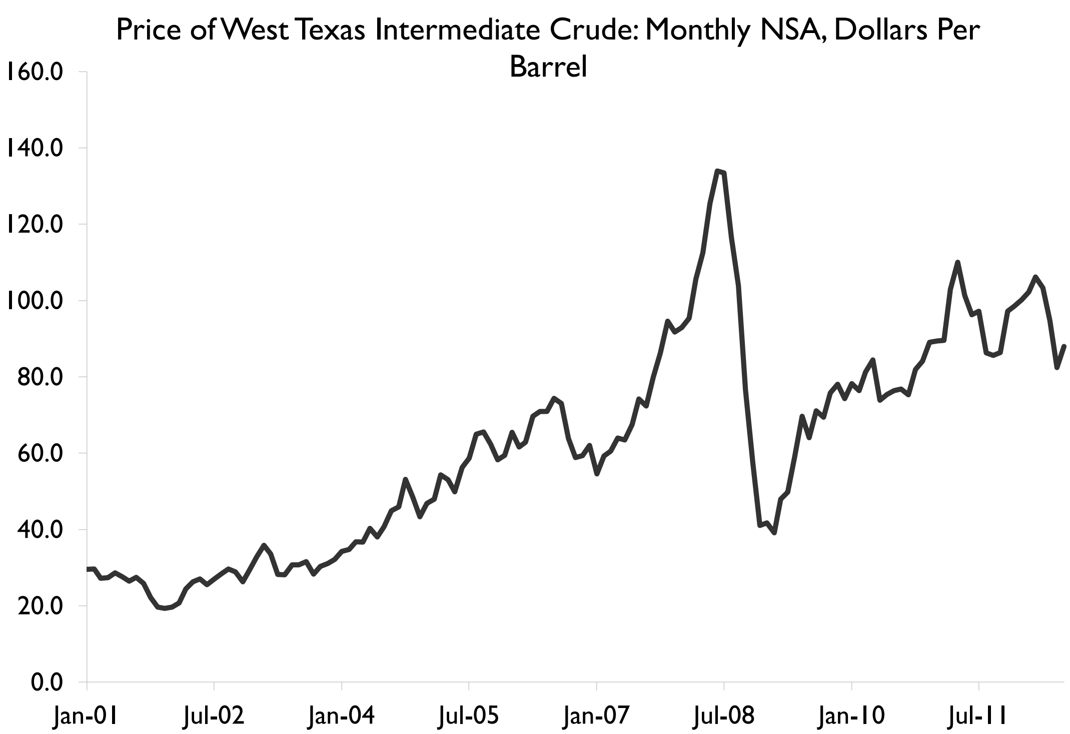
Continued Claims - Minnesota

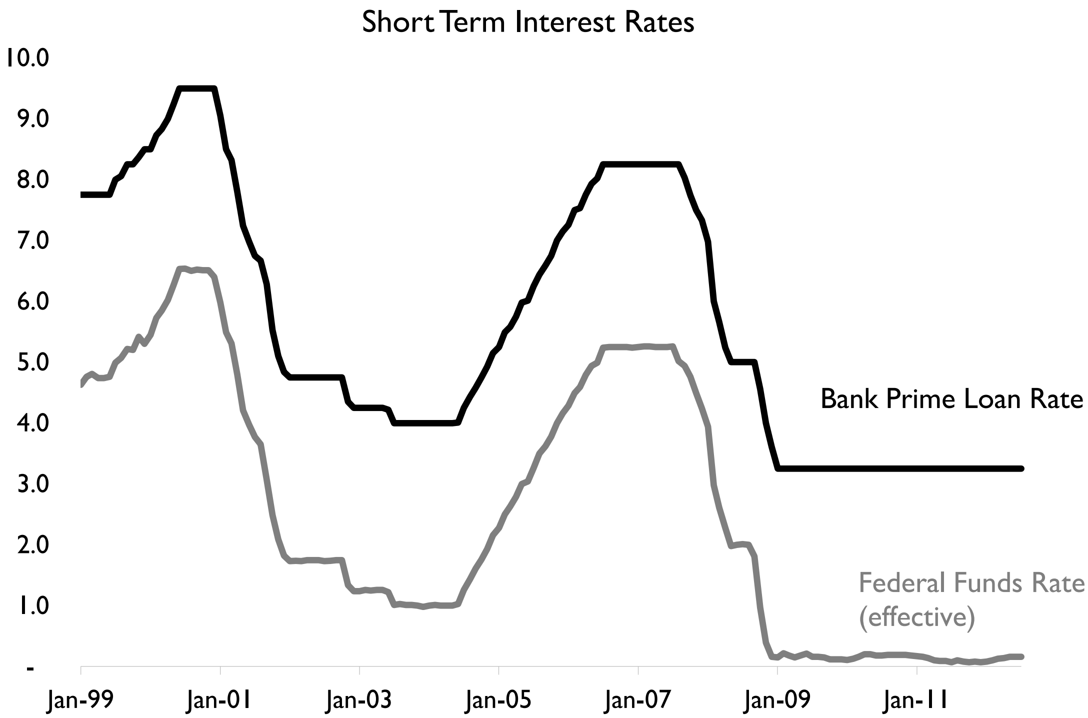


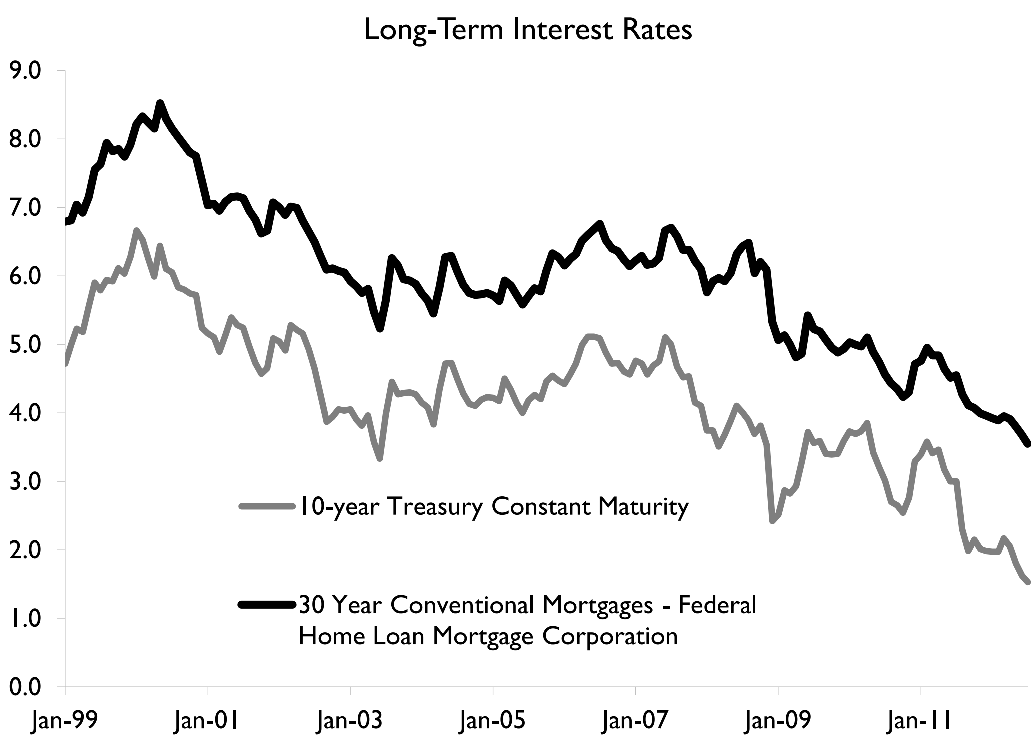
Initial Claims - Minnesota




Midwest Regular Reformulated Retail Gasoline Prices ($/gal)
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
Jan-95
Jan-97
Jan-99
Jan-01
Jan-03
Jan-05
Jan-07
Jan-09
Jan-11


Price of West Texas Intermediate Crude: Monthly NSA, Dollars Per Barrel
160.0
140.0
120.0
100.0
80.0
60.0
40.0
20.0
0.0
Jan-01
Jul-02
Jan-04
Jul-05
Jan-07
Jul-08
Jan-10
Jul-11


Short Term Interest Rates
10.0
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
-
Jan-99
Jan-01
Jan-03
Jan-05
Jan-07
Jan-09
Jan-11
Bank Prime Loan Rate
Federal Funds Rate (effective)


Long-Term Interest Rates
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
Jan-99
Jan-01
Jan-03
Jan-05
Jan-07
Jan-09
Jan-11
10-year Treasury Constant Maturity
30 Year Conventional Mortgages - Federal Home Loan Mortgage Corporation

Seven Rivers Equity Index Update: Improvements for Two Financial Firms and Acquisition of Great Wolf Resorts Result in Continued Recovery for SREI

Shane Van Dalsem, Ph.D., UW-La Crosse Department of Finance

Introduction

Tracking of the Seven Rivers Equity Index (SREI) began in 2000 as a way to provide information concerning publicly-traded firms headquartered in the Seven Rivers Region to investors and the business community. The value of the index is that it provides a measure of the economic health of the region as several of the businesses within the index have a significant impact on the region. These firms affect the economy of the region in two important ways. First, ownership of the firms is concentrated at higher amounts within the area of the firm's headquarters due to the stock ownership of the founders, management, and employees of the firm. As stock returns increase, wealth is imported into the region. Second--to the degree at which the firms' operations occur within the region--profits, cash flows, and investments of the firms are a measure of economic activity and health of the region.

This report covers the performance of the index and its components for the past five years (ending August 1, 2012). During this time period, the country and region emerged from one of the largest recessions in the nation's history. During the most recent year, Great Wolf Resorts, Inc. was acquired by Apollo Management Group, LLC after a bidding war that took the price paid per share from $5.00 to $7.85. The acquisition of Great Wolf Resorts improved the performance of the SREI as did substantial increases in value for two of the financial firms in the index.

Construction of the Index and Index Components

Using the methodology developed by Dr. Thomas Krueger, the SREI consists of the exchange-traded firms that are headquartered within 100 miles of La Crosse, WI. *ReferencesUSA* was used to identify the firms that fulfill the criteria to be included in the index. The firms identified using these criteria are as follows:

Non-Financial Firms:
- Fastenal, Inc.
- Flexsteel Industries, Inc.
- Hormel Foods Corporation
- Marten Transport Ltd.
- National Presto Industries, Inc.
- Rochester Medical Corporation

Financial Services Firms:
- Citizens Community Bancorp, Inc.
- Heartland Financial USA, Inc.
- HMN Financial, Inc.

A brief profile of each of the firms in the index is provided in the Appendix. Of the nine firms that currently make up the index, six of the firms are traded on the NASDAQ and three are traded on the NYSE. Using Standard and Poors' (S&P) guidelines, two of the firms (Fastenal and Hormel) are large cap firms, two (Marten Transport and National Presto) are small cap firms, and the remaining five are microcap firms.

Stock Performance

Calculation of Returns

The SREI is an equally-weighted index, meaning that it is assumed that an equal dollar amount is invested in each of the stocks at the beginning of the measurement period. The returns for the index were calculated on a monthly basis for a five-year period beginning on August 1, 2007 and ending August 1, 2012. The monthly returns are calculated as the geometric change in the adjusted price on *Yahoo! Finance* from one month to the next. The adjusted price incorporates cash dividends paid, stock splits, reverse stock splits, and stock dividends into the price of the stock, so the return calculated assumes that any dividends paid were reinvested back into the firm, thereby calculating the total return to the investor.

Benchmarks

For comparison purposes, I chose four benchmarks for the index, two for the total index and two for the financial firms. As mentioned above and shown in the Appendix, the index consists primarily of smaller firms. Standard benchmarks such as the S&P 500 and Dow Jones Industrial Index consist solely of large cap firms. Small firms tend to have greater price volatility and higher returns when compared to large firms, so the S&P 500 and Dow Jones Index were not used.

The two benchmarks chosen for the total index are the iShares S&P 1500 Index Fund (Ticker: ISI) and the iShares Russell Microcap Index (Ticker: IWC). The S&P 1500 index tracks the combined performance of the S&P 500 (LargeCap), S&P 400 (MidCap), and S&P 600 (SmallCap) indices. The Russell Microcap Index currently consists of 1,350 of the smallest exchange-traded firms. Criteria for the Russell Microcap Index is that the firm must be traded on a US exchange (AMSE, NYSE, or NASDAQ) and have a market capitalization of $300 million or less.

The financial services industry is unique from other industries due to its high level of regulation and divergent responses to market events. As such, firms in this industry are often analyzed separately from firms in other industries. The benchmarks used for this subsection of the index are the NASDAQ Financial 100 index (Ticker: IXF) and the FBR Small Cap Financial Fund (Ticker: FBRSX). The NASDAQ Financial 100 Index consists of the largest 100 financial services firms by market cap traded on the NASDAQ exchange. The FBR fund is a mutual fund that invests primarily in small cap financial services firms.

Index Performance

Table 1 provides the returns for each firm in the SREI, the returns for the index, and the returns for the S&P 1500 and microcap indices for each year beginning August 1, 2007 and ending August 1, 2012.

According to the National Bureau of Economic Research, the most recent recession began in December of 2007 and ended in June of 2009.[9] The performance of the SREI components and the benchmarks reflects this recessionary period with the average (median) return for the SREI components at -3.50% (1.99%) for the period ending August 1, 2008 and -21.58% (-27.04%) for the period ending August 1, 2009. The three firms that most contributed to these negative returns were Great Wolf Resorts (-63.43% and -32.89%), HMN Financial (-50.63% and -71.56%) and Flexsteel Industries (-17.54% and -27.04%). These results are not surprising as the three firms represent the recreation, financial, and consumer discretionary spending industries, respectively. The first and last are typically hard hit during recessions and the financial industry was particularly hard hit during the most recent recession.

Table 1. Annual Returns for SREI Components and Benchmarks

	For the 12 month period ending August 1,				
SREI Components	**2012**	**2011**	**2010**	**2009**	**2008**
Citizens Community Bancorp	4.74%	26.21%	-14.87%	-33.64%	-9.41%
Fastenal Co.	28.13%	50.18%	27.34%	-28.89%	15.11%
Flexsteel Industries	45.31%	8.22%	83.92%	-27.04%	-17.54%
Great Wolf Resorts	176.41%	43.43%	-43.59%	-32.89%	-63.43%
Heartland Financial USA	73.85%	9.90%	-3.59%	-28.64%	8.08%
HMN Financial	64.04%	-50.96%	-7.16%	-71.56%	-50.63%
Hormel Foods	2.22%	30.35%	19.24%	6.03%	1.99%
Marten Transport	-4.91%	-6.10%	15.86%	-14.95%	27.33%
National Presto	-27.62%	3.79%	27.47%	18.22%	51.96%
Renaissance Learning[10]		120.65%	-17.52%	-14.82%	13.51%
Rochester Medical	19.64%	-4.90%	-28.33%	-9.19%	-15.42%
Median	23.89%	9.90%	-3.59%	-27.04%	1.99%
Average	38.18%	20.98%	5.34%	-21.58%	-3.50%
S&P 1500 Index	13.89%	19.09%	4.87%	-18.87%	-11.21%
Russell MicroCap Index	10.11%	19.47%	1.58%	-21.35%	-15.47%

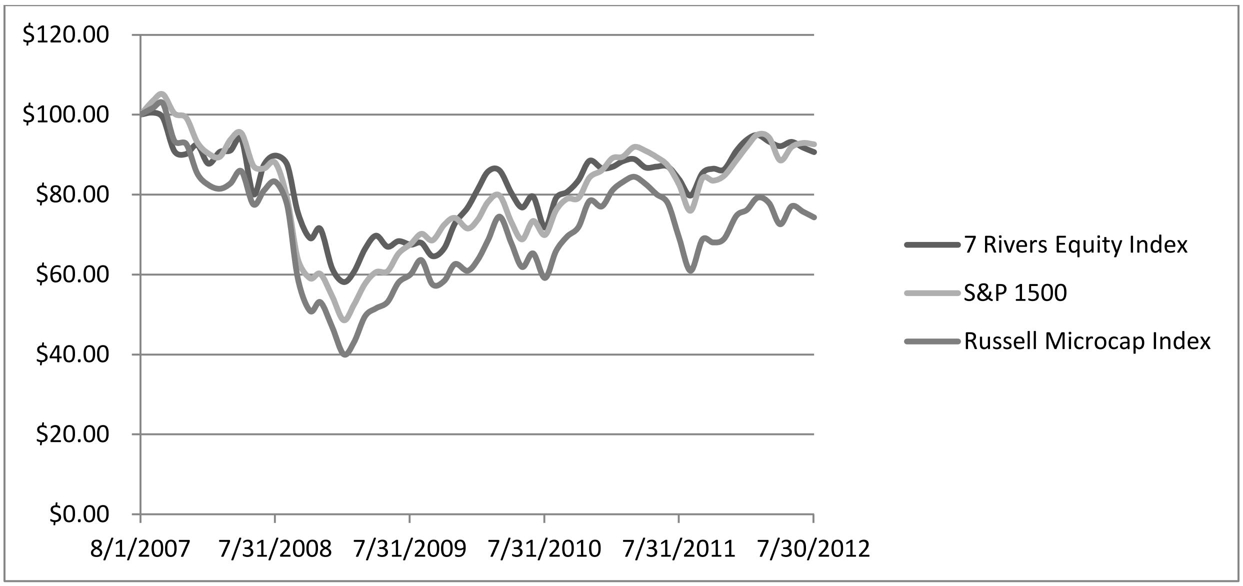
While the SREI did produce negative returns for investors during the recessionary period, it outperformed the both benchmarks in the first period, but underperformed both in the second.

The average return for the SREI components slightly outperformed those of the benchmarks for the periods ending August 1, 2010 and August 1, 2011. The positive performance for 2011 was driven by the acquisition of Renaissance Learning by Permira Funds during that period. SREI component average significantly outperformed the benchmarks in 2012 due to a significant turnaround for Heartland Financial and HMN Financial during the period and the run up in price for Great Wolf Resorts when it was acquired by Apollo Management Group.

[9] "US Business Cycle Expansions and Contractions,"*The National Bureau of Economic Research*, accessed August 2012, www.nber.org/cycles.html.
[10] Renaissance Learning was acquired by Permira Funds in 2011.

Figure 1 shows the growth of $100 invested in the SREI by investing equally in each of the component firms and its benchmarks on August 1, 2007 and holding those positions through August 1, 2012.[11,12] While the SREI did slightly underperform the S&P 1500 index during the five year period, the index also provided lower volatility, which might make the index more attractive for a conservative investor. The ending value of the index was $90.63, for the S&P 1500 it was $92.60, and for the Russell Microcap Index $74.29.

Figure 1. Growth of $100 Invested in the Seven Rivers Index and Comparative Benchmarks



<u>Financial Firms' Performance</u>

To analyze the performance of the financial services industry firms within the SREI, an equally-weighted portfolio was created using the returns of Citizens Community Bancorp, Heartland Financial USA, and HMN Financial. As seen in Table 2 and Figure 2, the index underperformed the benchmarks for every annual period with the exception of the twelve months ending August 1, 2012, during which time two of the three firms that make up the financial index made significant gains.

The post-recession period was mixed for each of the firms. Citizens Community Bancorp experienced a significant increase in returns in the twelve months ending August 1, 2011, likely due to a change in top management in 2009 and a change in direction for the firm. The poor results for HMN Financial for the period ending August 1, 2011 was triggered by increased

[11] The results in Table 1 differ from the results presented in Figure 1 because the average returns and medians in Table 1 are based on an equal weighting for each 12 month period, while the graph assumes a 5-year buy and hold strategy.

[12] The amount of the index invested in Renaissance Learning was equally distributed across the remaining firms as of November 1, 2011 for the calculation of the index value. The amount invested in Great Wolf Resorts was equally distributed across the remaining firms as of May 1, 2012 for the calculation of the index value.

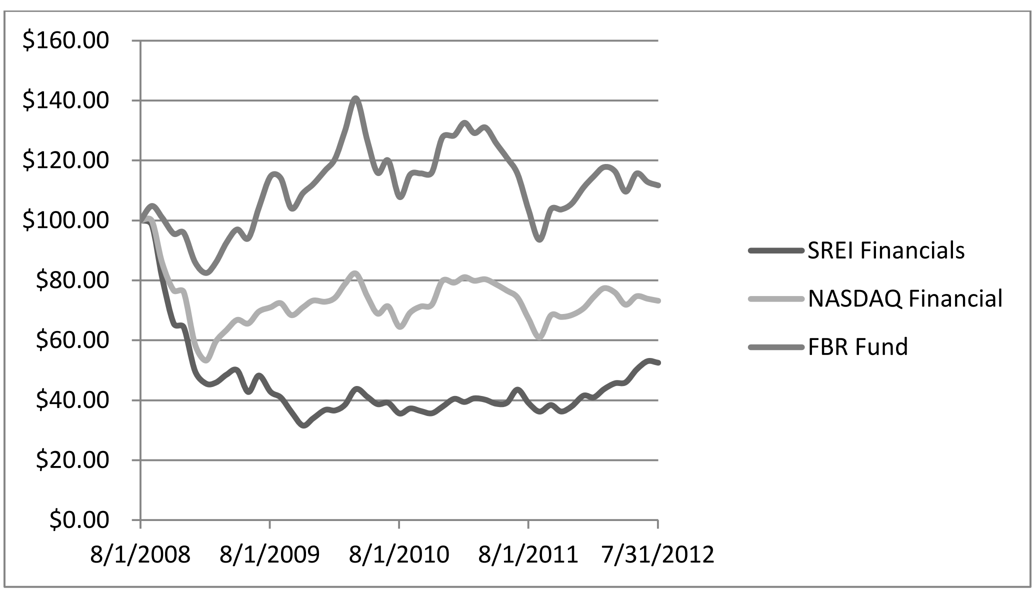
supervision by the Federal Reserve in February of 2011 followed by a deferment in paying preferred dividends leading to a turnover in the CEO and Chairperson position in April of 2011.

Table 2. Annual Returns for SREI Financials and Benchmarks

SREI Financial Components	Annual Total Return for the 12 months ending August 1, 2012	2011	2010	2009	2008
Citizens Community Bancorp	4.74%	26.21%	-14.87%	-33.64%	-9.41%
Heartland Financial USA	73.85%	9.90%	-3.59%	-28.64%	8.08%
HMN Financial	64.04%	-50.96%	-7.16%	-71.56%	-50.63%
Median	64.04%	9.90%	-7.16%	-33.64%	-9.41%
Average	47.54%	-4.95%	-8.54%	-44.61%	-17.32%
NASDAQ Financial	10.75%	5.82%	-7.47%	-24.20%	-14.11%
FBR Small Cap Financial	9.69%	-2.38%	-3.30%	17.63%	-11.27%

Figure 2 shows the results of investing $100 in the Seven Rivers Financial Index and into each of the two benchmarks. The $100 initially invested in the Seven Rivers Financial Index would have only been worth $52.51 at the end of the measurement period. The same $100 would have been worth $73.17 if invested in the NASDAQ Financial Index and $111.65 if invested in the FBR Fund.

Figure 2. Growth of $100 Invested in the Seven Rivers Index Financials and Comparative Benchmarks



Accounting Measure Performance

Please note that the accounting measure performance analysis focuses on fiscal year financial statements due to the seasonality of some of the firms in the SREI. As a result, the following information generally reflects in the information provided in the previous Economic Indicators Report, with the exception of the information for National Presto Industries, which has released its fiscal year-end financial statements for 2011 since the prior issue was published.

Tables 3, 4 and 5 present income statement information, balance sheet information, and cash flow statement information, respectively, for each of the firms in the index and the median and average results for the non-financial and financial firms separately. Reuters, company annual reports, and 10-k reports filed with the SEC were the sources of the information used to complete these tables. Information was gathered for each of the past three fiscal year ends for each firm.

Income Statement Performance

For the non-financial firms, revenues rose consistently across the three-year time period for all of the firms except for National Presto Industries. The financial institutions fared worse during the period. Revenues for Heartland Financial fell in 2010 from the 2009 level and increased by an insignificant amount in 2011 from the previous year. Revenues for HMN Financial slid consistently during the period due to increasing loan losses and a reduced ability to generate income from loans.

The decrease in median and average return on equity during the three-year period was due largely to the high ROE for Renaissance Learning in FY 2009 followed by a lack of ROE in the following two years. The high ROE in 2009 and lack of ROE for the 2010 and 2011 for Renaissance Learning was driven by significant stock repurchases over the past several years. Since the value of the stock repurchased was recorded at the market price of the stock at the time of the repurchase, the total value of the stock repurchases was greater than the book value of equity of the firm, resulting in negative book values of equity for 2010 and 2011. Stock repurchases are usually seen as a positive sign for a firm.

Great Wolf Resorts stands out as being troubled based on their financial results during the period. The firm had both significantly negative (but improving) net profit margins and returns on equity despite rising revenues during the three year period. This poor performance was driven by increasing selling, general, and administrative expenses during the period. Rochester Medical also experienced a declining net profit margin and return on equity during the three year period. For 2009, the decrease was largely due to decreasing revenue. The decrease in the net profit margins for 2010 and 2011 were driven by significant increases in selling, general, and administrative expenses.

The bottom-line results for the financial firms correspond with the discouraging trend observed in the stock returns through late 2011. While Heartland Financial's net profit margin and return on equity bounced back to above pre-recession levels in 2010, these measures for HMN Financial and Citizens Community Bancorp continued to decline in 2010, with a net profit margin of -55.39% and a return on equity of -44.23% for HMN Financial for 2010 and a net profit margin of -26.26% and a return on equity of -13.48% for Citizens Community Bancorp in 2010. For 2011, both measures entered positive territory for Citizens Community Bancorp, but remained significantly negative for HMN Financial.

The poor performance of HMN Financial can be attributed directly to increased loan losses during the three year period resulting in a memorandum of understanding between the firm and the Office of Thrift Supervision in February of 2009 and culminating into a supervisory agreement between the two in February of 2011. This supervisory agreement requires the firm to improve its capital ratios prior to paying dividends in the future. In April of 2011, the firm suspended payment of preferred dividends and the CEO and Chairperson, Timothy Geisler, was replaced.

The net interest margin is calculated as the net interest income (interest income less interest expense) divided by the average interest-earning assets during the period. This is a common evaluation measure for financial institutions because the majority of their income comes from interest on loans and the ability to maintain profitability depends on their ability to loan money out at a higher rate of interest than they have to pay to use the funds. As can be seen in Table 3, this measure consistently increased during the three year period and was not the cause of the disappointing results of two of the firms. The increase in net interest margins was consistent with a national trend of rising net interest margins after almost two decades of falling net interest margins. The increase in net interest margins is largely due to the cost of funds (largely interest rates on deposits) falling faster and more significantly than the rate at which the funds are lent out.

Table 3. Income Statement Measures of SREI Component Firms

	Revenues (in millions)			Gross Profit Margin			Net Profit Margin			Return on Equity		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Fastenal	$2,766	$2,269	$1,930	51.83%	51.77%	50.95%	12.94%	11.69%	9.55%	24.53%	20.69%	15.48%
Flexsteel Industries	$339.4	$326.4	$324.1	22.77%	22.91%	18.84%	3.07%	3.31%	-0.47%	8.10%	9.18%	3.17%
Great Wolf Resorts	$296.7	$284.2	$264.0	66.96%	68.46%	58.68%	-8.65%	-17.95%	-22.15%	-18.09%	-30.77%	-27.23%
Hormel Foods Corp	$7,895	$7,221	$6,533	16.90%	17.16%	16.82%	6.01%	5.86%	5.25%	17.85%	17.61%	16.15%
Marten Transport	$603.7	$516.9	$505.9	42.79%	44.42%	45.55%	4.02%	3.82%	3.22%	7.63%	6.71%	5.96%
National Presto Industries	$431.0	$479.0	$478.5	21.75%	23.71%	23.01%	11.13%	13.26%	13.08%	14.26%	18.47%	18.63%
Renaissance Learning Inc.[13]	N/A	$130.0	$121.5	N/A	78.99%	79.08%	N/A	18.36%	16.39%	N/A	N/A	250.5%
Rochester Medical Corp.	$52.92	$41.44	$34.80	49.31%	47.54%	48.36%	-2.48%	-0.60%	0.32%	-1.99%	-0.36%	0.16%
Median	**$431.0**	**$402.7**	**$401.3**	**42.79%**	**45.98%**	**46.96%**	**4.02%**	**4.84%**	**4.24%**	**8.10%**	**9.18%**	**10.72%**
Average	**$1,769**	**$1,409**	**$1,274**	**38.90%**	**44.37%**	**42.66%**	**3.72%**	**4.72%**	**3.15%**	**7.47%**	**5.93%**	**35.36%**

Financial Firms

	Revenues (in millions)			Net Interest Margin			Net Profit Margin			Return on Equity		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Citizens Community Bancorp	$31.89	$27.01	$25.71	4.83%	3.84%	3.28%	0.61%	-26.26%	-12.38%	0.36%	-13.48%	-5.18%
Heartland Financial	$251.3	$251.3	$256.0	4.16%	4.12%	3.99%	11.14%	7.39%	0.48%	7.94%	7.26%	1.99%
HMN Financial	$46.41	$55.54	$59.96	3.78%	3.36%	3.33%	-24.90%	-55.39%	-20.92%	-20.25%	-44.23%	-12.55%
Median	**$46.41**	**$55.54**	**$59.96**	**4.16%**	**3.84%**	**3.33%**	**0.61%**	**-26.26%**	**-12.38%**	**0.36%**	**-13.48%**	**-5.18%**
Average	**$109.9**	**$111.3**	**$113.9**	**4.26%**	**3.77%**	**3.53%**	**-4.38%**	**-24.75%**	**-10.94%**	**-3.98%**	**-16.82%**	**-5.25%**

[13] Renaissance Learning was acquired by Permira Funds in 2011.

Balance Sheet Analysis

Table 4 provides the balance sheet ratios for the years 2009-2011 for the firms that comprise the SREI. The current ratio is a measure of the liquidity of the firm and is calculated as current assets divided by current liabilities. The current ratio measures how easily a firm can pay its liabilities that are expected to come due in the next year with assets that are expected to be liquidated in the next year. While having a higher current ratio may sound beneficial, and generally does reduce risk, it also reduces the returns to shareholders as liquid assets typically provide little, if any, return. The long-term debt ratio is calculated as the amount of debt that has a maturity date of greater than one year divided by the total assets of the firm. A higher debt ratio may result in a higher risk of default and bankruptcy. Conversely, a greater amount of debt in the capital structure concentrates the earnings of the firm to fewer equity holders and increases the return on equity for the firm. Total asset turnover is calculated as sales divided by total assets. It is used as a measure of how well management is utilizing assets to generate sales.

The average current ratio among the non-financial firms decreased between 2009 and 2011. The significant drop in the current ratio for Rochester Medical in 2011 was due to a significant increase in short term debt.

Surprisingly, five of the seven remaining non-financial firms in the SREI as of the fiscal year end 2011 have no long-term debt. Of the remaining firms, Great Wolf Resorts decreased their long-term debt ratio in 2011 by not replacing the debt which is amortizing and Hormel has been consistently decreasing their long-term debt ratio through increases in assets and debt reductions.

The overall trend for the non-financial firms with regard to the total asset turnover has been positive, with the exception of a reduction in the measure for Marten Transport and National Presto over the three year period.

For the financial firms, I included the loans-to-assets ratio, provision for loan loss-to-total loans and the equity-to-assets ratio of the firms. The loans-to-assets ratio is a measure of the percent of the firm's assets that are productive with a higher number usually indicating more productive assets. The provision for loan loss is an income statement account that shows how much the firm is setting aside for future anticipated loan losses. This ratio provides insight into the quality and safety of the loans that the firm has made. The equity-to-assets ratio is a measure of the safety of the firm as a higher ratio gives the firm a larger cushion that can absorb future losses. However, a higher ratio also decreases return on equity and may be the result of regulatory action due to poor asset quality.

The loans-to-assets increased for Citizens Community Bancorp, remained relatively stable for Heartland Financial, and fell for HMN Financial during the three-year period. The decrease for HMN is likely due to the regulatory action taken against them in 2011.

Table 4. Balance Sheet Ratios of SREI Component Firms

Non-Financial Firms

	Current Ratio			Long-Term Debt Ratio			Total Asset Turnover		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Fastenal	6.58	6.69	8.22	0.00%	0.00%	0.00%	1.64	1.55	1.45
Flexsteel Industries	4.64	3.93	3.16	0.00%	0.00%	6.62%	2.06	1.99	2.04
Great Wolf Resorts	0.48	0.47	0.72	62.91%	71.61%	68.27%	0.42	0.34	0.31
Hormel Foods Corp	2.57	1.69	2.30	5.89%	8.63%	9.48%	1.86	1.78	1.77
Marten Transport	2.19	1.28	1.34	0.00%	19.10%	13.41%	1.12	1.12	1.22
National Presto Industries	4.99	5.18	5.60	0.00%	0.00%	0.00%	1.07	1.32	1.15
Renaissance Learning Inc.[14]	N/A	0.46	1.02	N/A	0.00%	0.00%	N/A	2.61	2.26
Rochester Medical Corp.	2.45	8.07	9.00	0.00%	3.49%	5.02%	0.58	0.44	0.47
Median	**2.57**	**2.81**	**2.73**	**0.00%**	**1.75%**	**5.82%**	**1.12**	**1.44**	**1.34**
Average	**3.28**	**3.47**	**3.92**	**9.83%**	**12.85%**	**12.85%**	**1.25**	**1.39**	**1.33**

Financial Firms

	Loans-to-Assets			Provision for Loan Loss /Total Loans			Equity-to-Assets		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Citizens Community Bancorp	0.80	0.77	0.77	1.36%	1.51%	0.31%	0.10	0.08	0.10
Heartland Financial	0.58	0.60	0.59	1.19%	1.36%	1.65%	0.08	0.08	0.08
HMN Financial	0.71	0.76	0.77	3.09%	4.12%	4.16%	0.07	0.08	0.10
Median	**0.71**	**0.77**	**0.77**	**1.36%**	**1.51%**	**1.65%**	**0.08**	**0.08**	**0.10**
Average	**0.70**	**0.77**	**0.77**	**1.88%**	**2.29%**	**2.04%**	**0.08**	**0.08**	**0.09**

The provision for loan loss as a percent of total loans improved for both Heartland Financial and HMN Financial, with a significant increase for Citizens Community Bancorp in 2010. The ratio for HMN Financial was quite high compared to a historical benchmark of 1.20% to 1.25% for this industry. This high ratio is consistent with poor loan quality.

The average equity-to-assets ratio fell between FY 2009 and FY 2010 due to a decrease for Citizens Community Bancorp and HMN Financial. HMN Financial saw a consistent decrease during the three-year period. The increase in the provision for loan loss likely contributed to this by deteriorating the profit margin and the resulting level of retained earnings.

[14] Renaissance Learning was acquired by Permira Funds in 2011.

Cash Flows Analysis

The operating cash flows, level of capital expenditures, and free cash flows are provided in Table 5. The free cash flows for this table are calculated as operating cash flows less capital expenditures. If not used for paying down debt, paying interest on debt, or held for future investment purposes, free cash flows are cash flows that are available for distribution to stockholders through dividends or stock repurchases. Consistent and growing free cash flows increase the returns to shareholders.

Free Cash Flows for the non-financial firms were inconsistent during the three-year period. In general, the firms experienced a slump in operating cash flows, capital expenditures, and free cash flows in 2010 that rebounded in 2011. For the financial firms, average operating cash flows and free cash flows increased consistently over the three year period. This was due to improved performance for Citizens Community Bancorp and Heartland Financial over the years. Operating cash flows and free cash flows fell considerably for HMN Financial in 2011.

Table 5. Cash Flow Analysis of SREI Component Firms

Non-Financial Firms

	Operating Cash Flows (in millions)			Capital Expenditures (in millions)			Free Cash Flow (in millions)		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Fastenal	$286.5	$240.5	$306.10	$120.0	$73.60	$52.54	$166.5	$166.9	$253.5
Flexsteel Industries	$13.80	$19.12	$17.31	$2.57	$1.25	$1.20	$11.23	$17.87	$16.11
Great Wolf Resorts	$28.87	$29.11	$12.21	$9.32	$8.68	$49.26	$8.44	$20.43	($37.05)
Hormel Foods Corp	$490.5	$485.5	$558.8	$96.91	$89.82	$96.96	$393.6	$395.7	$461.8
Marten Transport	$86.21	$64.52	$81.69	$84.91	$81.24	$79.91	$1.30	($16.72)	$1.78
National Presto Industries	$58.69	$57.77	$62.15	$15.00	$17.97	$3.34	$43.69	$39.80	$58.81
Renaissance Learning Inc.[15]	N/A	$45.72	$34.35	N/A	$1.75	$1.08	N/A	$43.97	$33.27
Rochester Medical Corp.	$2.65	$3.12	$1.68	$1.76	$1.83	$1.23	$0.89	$1.29	$0.45
Median	**$58.69**	**$51.75**	**$48.25**	**$15.00**	**$13.33**	**$26.30**	**$11.23**	**$30.12**	**$24.69**
Average	**$138.17**	**$118.17**	**$134.28**	**$47.22**	**$34.52**	**$35.69**	**$89.38**	**$83.66**	**$98.59**

Financial Firms

	Operating Cash Flows (in millions)			Capital Expenditures (in millions)			Free Cash Flow (in millions)		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Citizens Community Bancorp	$11.47	$6.43	$3.78	$0.58	$0.31	$3.07	$10.89	$6.12	$0.71
Heartland Financial	$103.2	$80.44	$39.88	$6.36	$9.61	$6.60	$96.79	$70.83	$33.28
HMN Financial	$17.34	$25.56	$15.45	$0.20	$0.29	$0.56	$17.14	$25.26	$14.89
Median	**$17.34**	**$25.56**	**$15.45**	**$0.58**	**$0.31**	**$3.07**	**$17.14**	**$25.26**	**$14.89**
Average	**$43.99**	**$37.48**	**$19.70**	**$2.38**	**$3.40**	**$3.41**	**$41.61**	**$34.07**	**$16.29**

[15] Renaissance Learning was acquired by Permira Funds in 2011.

Improved Performance for Heartland Financial USA and HMN Financial

The increase in the stock price for Heartland Financial began on April 10, 2012 when the price of the stock was $15.10 per share. Since then the price jumped to $26.13 on July 31, resulting in a 73% increase in price during that time period. The improved performance during this time period was driven by Heartland Financial leveraging its strong cash flows to purchase First Shares, Inc. in Platteville, WI and three Liberty Bank branches in Dubuque, IA. These acquisitions drove an increase in Heartland Financial's total assets of $123 million since the fiscal year end 2011. Additionally, the announcement on July 31 that the firm beat analysts' estimates for quarterly earnings boosted the firm's stock price by approximately 12% in one day.

For HMN Financial, the increase in stock price began in March and rose dramatically following the sale of an underperforming branch and improved on second quarter results in July. On March 1, HMNF traded at $1.85 per share. Following the sale of their branch in Toledo, OH to Pinnacle Bank the stock price increased to $3.17—an increase of 71.35%. The price hit a high of $3.37 on May 10 and has since dropped to $2.80. The stock price received a bump following the announcement of second quarter results on July 21, which showed an impressive year-over-year improvement when compared to second quarter 2011 results. At this point, the firm has not reinstated preferred stock dividends and is not expected to during the remainder of 2012.

Acquisition of Great Wolf Resorts, Inc. by Apollo Management Group, LLC

On March 13, 2012 Apollo Management Group, LLC announced that Great Wolf Resorts accepted their offer of $5.00 per share to acquire the firm. The total announced amount for the purchase was $703 million and represented a 50.4% premium over the 90 day average of Great Wolf's market equity value and a 19.3% premium over Great Wolf's closing stock price on March 12.[16] Fortunately for Great Wolf stockholders, the story didn't end there.

On April 4, KSL Capital Partners, LLC made an offer of $6.25 per share following a lawsuit by shareholders accusing the board of Great Wolf of not obtaining the highest offer possible. As part of the acceptance of the March 13 offer by Apollo Management, Great Wolf was required to adopt provisions to dissuade hostile takeovers and had to agree to not solicit further offers.[17] The agreement also required Great Wolf to pay Apollo Management up to $9 million if they accepted a higher offer. In response to KSL's counter offer, Apollo raised its bid to $6.75 per share on April 6, which resulted in another counter offer by KSL for $7 per share on April 9.[18]

On April 17, Apollo raised its bid to match KSL's bid of $7 per share, which was immediately followed by an increased bid by KSL the next day to purchase Great Wolf for

[16] Information taken from Apollo Management Group, LLC press release dated March 13, 2012.
[17] Brian Louis, "Great Wolf Rises To Highest Since 2008 After KSL Bid Tops Apollo," *Bloomberg*, April 5, 2012, **http://www.bloomberg.com/news/2012-04-05/great-wolf-gets-offer-from-ksl-topping-apollo-s-bid.html**.
[18] "KSL Raises Great Wolf Resorts Bid, Challenging Apollo," CNBC.com, April 9, 2012, http://www.cnbc.com/id/46989214.

$7.25 per share.[19] Apollo countered that bid on April 20 with an offer of $7.85 per share. The next day, KSL conceded its attempt at acquiring Great Wolf. The final offer resulted in Great Wolf stockholders receiving an 87% premium over price of Great Wolf stock prior to the initial announcement on March 13 and a 57% premium over the initial offer amount.[20]

Following the acceptance of the offer, the Great Wolf's board of directors and Deutsche Bank, Great Wolf's investment bank, faced criticism over the acceptance over the initial offer and the accusation that neither understood Great Wolf's value going in. Ronald Barusch, columnist for *The Wall Street Journal*, called into question Deutsche Bank's valuation methods and stated that they "fell short."[21]

Concluding Remarks

The overall performance of the SREI components has generally followed the bumpy post-recession recovery of the stock market. Significant gains for two of the financial firms and the acquisition of Great Wolf Resorts over the past few months has allowed the Index to maintain its upward movement. Hopefully, the strengthening balance sheets and increasing free cash flows for fiscal year 2011 will continue and will result in continued stock price recovery.

[19] "Update 1-KSL Sweetens Bid for Great Wolf Resorts," Reuters.com, April 19, 2012, http://www.reuters.com/article/2012/04/19/greatwolfresorts-idUSL3E8FJ7XJ20120419.
[20] David Benoit, "Apollo Wins Bidding for Great Wolf Resorts," Deal Journal, *The Wall Street Journal*, April 21, 2012, http://blogs.wsj.com/deals/2012/04/21/apollo-wins-bidding-for-great-wolf-resorts/
[21] Ronald Barusch, "Dealpolitik: Great Wolf Shows Shortcomings of Banker Valuation Opinions," Deal Journal, *The Wall Street Journal*, April 22, 2012, http://blogs.wsj.com/deals/2012/04/22/dealpolitik-great-wolf-shows-shortcomings-of-banker-valuation-opinions/.

Appendix

Non-Financial Firms

Company: **Fastenal Corporation**
Ticker: FAST
Exchange: NASDAQ
Market Cap: $12.6 Billion
Description: Wholesaler and retailer of industrial and construction supplies. Product lines include fasteners, hydraulic and pneumatic tools, janitorial supplies, and welding equipment.
Institutional Ownership: 81%
Date started trading: March 26, 1990

Company: **Flexsteel Industries, Inc.**
Ticker: FLXS
Exchange: NASDAQ
Market Cap: $145.8 Million
Description: Manufacturer, importer, and marketer of residential and commercial furniture. Product lines include upholstered and wood furniture, desks, dining tables and chairs, and bedroom furniture.
Institutional Ownership: 45%
Date started trading: February 25, 1992

Company: **Great Wolf Resorts, Inc.**
Ticker: N/A
Exchange: Acquired and taken private
Market Cap: N/A
Description: Developer, owner, licensor, and operator of family resorts that feature indoor water parks and other entertainment options. The company currently operates or has a licensing agreement with twelve resorts across the United States.
Institutional Ownership: N/A
Date started trading: December 15, 2004

Company: **Hormel Foods Corporation**
Ticker: HRL
Exchange: NYSE
Market Cap: $7.2 Billion
Description: Producer and marketer of meat and food products worldwide. Business segments include: grocery products, refrigerated foods, Jennie-O Turkey Stores, and specialty foods.
Institutional Ownership: 33%
Date started trading: January 2, 1990

Company: **Marten Transport Ltd.**
Ticker: MRTN
Exchange: NASDAQ
Market Cap: $394 Million
Description: Truckload carrier that specializes in transporting consumer goods that require a temperature-controlled or insulated environment across North America and Mexico. Business segments are trucking and logistics.
Institutional Ownership: 69%
Date started trading: February 27, 1992

Company: **National Presto Industries, Inc.**
Ticker: NPK
Exchange: NYSE
Market Cap: $456 Million
Description: Manufacturer of housewares and electrical appliances; defense-related products, such as: training ammunition fuses, firing devices, and initiators; and diapers and adult incontinence products.
Institutional Ownership: 51%
Date started trading: December 30, 1987

Company: **Rochester Medical Corporation**
Ticker: ROCM
Exchange: NASDAQ
Market Cap: $120.2 Million
Description: Manufacturer and marketer of PVC and latex-free urinary continence and urine drainage care products.
Institutional Ownership: 40%
Date started trading: August 18, 1995

Financial Services Firms
Company: **Citizens Community Bancorp Inc.**
Ticker: CZWI
Exchange: NASDAQ
Market Cap: $29.4 Million
Description: Provider of consumer banking services through 18 in-store Wal-Mart Supercenter locations and eight branches in Wisconsin, Minnesota, and Michigan.
Institutional Ownership: 15%
Date started trading: March 30, 2004

Company: **Heartland Financial USA Inc.**
Ticker: HTLF
Exchange: NASDAQ
Market Cap: $421.6 Million
Description: A multi-bank holding company that has subsidiaries in Iowa, Illinois, Wisconsin, New Mexico, Arizona, Montana, Colorado, and Minnesota.
Institutional Ownership: 35%
Date started trading: January 7, 2000

Company: **HMN Financial, Inc.**
Ticker: HMNF
Exchange: NASDAQ
Market Cap: $12.7 Million
Description: Operator of retail banking and loan production facilities in Minnesota and Iowa.
Institutional Ownership: 27%
Date started trading: July 30, 1994