



THE DANA VIEWPOINT

November 7, 2008

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CHANGING HORSES IN MID-STREAM

Admittedly, there are those not satisfied with Congress passing the Troubled Asset Relief Program (TARP). This \$700 billion bill is not designed to stimulate the economy but more to stem the credit crisis. The final tab no doubt will exceed \$1 trillion. If Secretary of the Treasury Paulson and the Federal Reserve Chairman Bernanke are correct, the investments we are making will eventually be liquidated and possibly at a profit. We can only hope that the new administration gives this program a chance to work even with a new Treasury Secretary. We certainly do not want to see the banks, insurance companies and auto manufacturers nationalized. The Federal government is not in the business of running a business. For the most part, Congress has shown a distinct lack of understanding of economics and the free enterprise system. Now we do not profess to have read the 451 page “bailout” bill, but we did review it, and of course Congress could not pass the TARP without adding some bacon. They have added about \$150 billion for tax breaks to wooden arrow manufacturers, film and television producers, businesses in American Samoa, for rum from Puerto Rico and the Virgin Islands, and much more. They also reworded the Katrina relief bills to include Illinois, Iowa, Indiana, Kansas, Michigan, Minnesota, Missouri, Nebraska, Wisconsin and to anyone affected by Hurricane Ike. Under the Emergency Economic Stabilization Act (HB1424) passed as part of the bailout bill, Section 110 allows the regulators to make any change to any troubled mortgage, including giving the property away. That’s the kind of meddling we don’t need.

As expected, the Fed cut interest rates by a half point to 1%. Other central banks around the globe are likewise cutting interest rates. We believe they are all pushing on a string. Japan tried that in the 1990s with interest rates less than one quarter of one percent. They suffered through a decade long economic slowdown. It wasn’t until they increased the money supply that their economy turned around. Increasing the money supply is one of the keys to solving our credit crisis and turning the economy around. “Helicopter Ben” Bernanke vowed earlier that if we were facing a severe recession he would fly a helicopter over America and drop as much money as it took to get the economy rolling again. He has been true to his word as he has injected billions of dollars into the economy. This, of course, will eventually lead to inflation, but that’s a problem to be dealt with later.

We are not sure where the media obtains its facts when they continually make noise about the low savings rate in America. They must be looking at money in savings accounts only. Americans are too sophisticated today to keep all their money in savings accounts. Money is invested today for higher returns in corporate bonds, stocks and money market funds. Even with the recent drop in equity prices, the amount of money “saved” in these investments runs into the trillions of dollars. It is estimated that there is now over \$2 trillion invested in money

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market funds alone. This is money that eventually will be reinvested in new businesses and expanding existing businesses. That is why we remain so positive on the future of America.

At this time the only ingredient lacking to start the next economic boom is confidence. This is an important key, and it may take a little time to return, but the other keys are coming into place – a more than adequate supply of money and stock and bond prices grossly oversold.

As we enter the holiday season we should be focusing on our blessings:

- a. We have complete religious, social and political freedom (witness the presidential election) that is the envy of the world.*
- b. Currently 93.5% of the population that wants to work has a job (compare that with 80% in the 1930s)*
- c. Our neighborhoods are free from fanatical suicide bombers.*
- d. We are free to move about the country or visit other countries without restriction.*
- e. We have electricity, heat and air conditioning twenty-four/seven.*
- f. We have cells phones, flat screen TVs, computers and any other manner of conveniences that make our lives enjoyable.*
- g. Our life expectancy is the highest in the world.*

Truly, we are the most blessed people on this planet. So step outside and smell the flowers or look up at the stars at night and contemplate the vastness and wonders of this universe and give thanks this holiday season that you are an American.

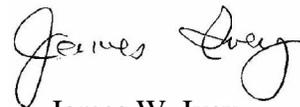
Happy Thanksgiving everyone!

Random thought for November: “A government big enough to give you everything you want, is strong enough to take everything you have.”

Thomas Jefferson



Michael L. Dana
Chairman of the Board



James W. Ivey
President

Dana Investment Advisors welcomes any comments to their newsletter and is more than willing to discuss or explain any aspect of the letter. Feel free to call us at 262-782-3631.

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