



February 9, 2010

Dow: 10,058

IT'S A GREAT DAY FOR AMERICA

Does America have problems? Of course. Does America always have problems? Again, of course. But, we have survived for over two hundred years because we have been able to solve these problems. Before and during the Revolutionary War the citizens of this land were equally divided as to living under the rule of King George or fighting for freedom and the establishment of a new form of government run by the people. Fortunately, freedom won out as the United States of America went on to become the greatest civilization on earth (with no offense to the Roman Empire, the Egyptian Empire or even the Sumerian civilization). Maybe we have grown complacent since World War II and have taken our precious freedoms for granted. We have allowed Congress (both Democrats and Republicans) to take too much control over our lives. However, America is waking from its slumber and questioning our representatives through town hall meetings and “tea parties.” America is very concerned about individual freedoms. America is concerned about huge Congressional spending plans. America is concerned about jobs. America wants to go to work and be productive. America wants to grow. America wants to be proud of itself. America wants a better future for its children. America is speaking out and Congressional leaders are listening. If they are not, they will be replaced. This is good. America is rolling up its sleeves and going back to work to get this country rolling again. Our economy (the largest in the world) is like a giant ship. It takes time to turn it around, but it is turning.

Economic data is picking up strength. Fourth quarter GDP (Gross Domestic Product) came in at a plus 5.7%. Even though this number is exaggerated because of replenishing of inventories, it is still a positive number and a good indication that the recession is behind us. Now America must move forward on the job front. We have talked ad nauseam about our opinions on this matter. But, to reiterate, we feel it basically comes down to lower individual-and corporate-tax rates and lower capital gains and dividend rates. This frees up capital to be invested in new businesses and in expanding existing businesses. This creates jobs – permanent jobs. The economy is like a living being that has a life of its own. It can't be totally controlled but can be nurtured and guided. This is what America is telling our government.

Too big to fail? That would be America. We cannot allow this to happen. America has always been the last resort and hope for all other nations. Whenever something went wrong America was always there whether it was fighting off Hitler or sending aid to East Asia during the tsunamis or to Haiti during the recent earthquakes. Other countries have followed our form of capitalistic democracy to improve the lives of their

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people. Even China has seen the benefits of our system. It is imperative that America maintain its leadership in the world and that starts with a sound economy. In the words of Thomas Paine, “You must have economic freedom before political freedom.” The world would be a far more dangerous place without leadership from America.

State of the Union. We were pleased to hear the President state that he would consider expanding offshore drilling and nuclear energy. These are two areas that would immediately create jobs. In addition, they would lower our dependence on foreign energy and would lower fuel costs for consumers, both of which would add money to the economy. A third leg to this stool can be natural gas. Natural gas is cleaner than coal and cheaper than oil. In the past, natural gas prices have been volatile due to lack of supply. However, new technologies have been discovered that can unleash trillions of cubic feet per year. This new technology is horizontal drilling. This process allows a single well to descend 9,000 feet and then bore horizontally through slate formations up to 1-1/2 miles away. Water, sand and chemical additives are pumped through these pipes to unlock trillions of cubic feet of natural gas previously judged unobtainable. The world’s largest oil company, Exxon Mobil, just announced a \$30 billion deal to purchase XTO Energy. This deal will make Exxon the number one producer of natural gas in this country. Several utility companies have recently scrapped plans to build new coal fired plants as they await new developments in natural gas production. The Energy Department and various independent experts have estimated that we have over 2,000 trillion cubic feet of supplies. It is also estimated that the US sits on 83% more recoverable natural gas than was thought in 1990. We are the Saudi Arabia of natural gas. This information has been culled from various sources – The Wall Street Journal, Investors Business Daily, and Mark William, an AP energy writer.

Odds and ends. Bernanke was reappointed Head of the Federal Reserve. Interest rates are likely to remain low for some time, although Bernanke said today (2-10-10), “The Federal Reserve may raise the discount rate before long as part of the normalization of Fed lending, a move that won’t signal any change in the outlook for monetary policy.” The employment picture is improving. Earnings reports remain strong. In short, the economy is improving.

Random Thoughts for February 2010: “What I admire about people is that when things are at their worst, you are at your best.”

Jeff Bridges, the alien in the movie “Starman”

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