

**J. L. BAINBRIDGE**  
**& COMPANY, INC.**

August 2002

The earnings per share growth reported during the last three months by the companies carefully selected for investment are listed below. Considering the current slow growth of the economy and the poor results being posted by most companies, these numbers speak for themselves and are truly extraordinary. Again we note that the earnings growth listed below does not reflect a recovery from lower earnings a year ago. These results are on top of record earnings last year and continue long-term trends of consecutive record quarterly earnings.

<b>INVESTMENTS</b>	<b>EPS GROWTH</b>
Avon Products	+12%
Certegy	+14%
Equifax	+06%
First Data	+21%
General Electric	+13%
Home Depot	+35%
Host Marriott	-56%
Johnson & Johnson	+18%
McGraw Hill	+19%
Medtronics	+13%
Pepsi	+14%
Pfizer	+10%
Sysco	+19%
Target	+36%
Walgreens	+19%
Walmart	+19%

During the first three weeks of the July the market declined sharply and the emotional selling engulfed our investments. During this very difficult period clients asked, "How does one protect their hard earned dollars from this relentless selling?" The answer is twofold. First is to realize there have been in the past and there will be in the future times when emotion rules and for a short period of time the price of great companies' stocks will fall to levels that make no sense and do not reflect the value of their underlying businesses. Second is to know the only factor that will dictate the long-term value of an investment is future earnings and dividend growth. If a company posts strong earnings, the price of its stock will rise and its owners will prosper. Armed with this knowledge, owners of extraordinary companies can sit tight and weather the storm knowing that these companies' stocks will recover and soar to new heights. The recovery of our investments is well underway and we remain completely confident future returns will exceed 15% compounded annually over the next several years.

Jerry L. Bainbridge, President