

J. L. BAINBRIDGE
& C O M P A N Y, I N C.

May 3, 2005

Dear Mr. & Mrs. Client

As listed below, every company in our portfolio except Cardinal Health reported record earnings per share with all but two recording double-digit growth over last year's recorded earnings. Cardinal Health is completing a transition of their pharmaceutical distribution business to a fee for service model which is temporarily holding back earnings growth. However, their business remains strong as evidenced by a 17% increase in revenue, and their earnings growth will resume this summer. In the meantime, based on healthy excess cash flow they are repurchasing \$500 million of stock. Other positive developments last month were a 16% dividend increase by Johnson & Johnson and a two for one stock split by McGraw-Hill that is effective May 19, 2005.

Investment	EPS Growth
American Express	+14%
Avon Products	+16%
Cardinal Health	-6%
Dentsply	+7%
Donaldson	+10%
First American	+34%
First Data	+7%
Forest Labs	+15%
General Electric	+18%
Henry Schein	+19%
Johnson & Johnson	+17%
McGraw Hill	+41%
Medtronic	+17%
Nuveen Investments	+13%
Proctor & Gamble	+15%
Pepsi	+14%
Petsmart	+18%
Scotts	+14%
Sysco	+13%
Target	+11%
T Rowe Price	+19%
Walgreens	+15%
Walmart	+18%

Some clients ask if we get disheartened or lose sleep when the market declines? We do not because we know the long-term value of a stock is directly related to earnings and dividend growth. Hence we welcome the opportunity to invest clients' money when the market falls. What would cause us alarm would be a sharp decline in one of our stocks due to a mistake in our analysis of a company's prospects as this would cause a permanent loss of clients' assets. To date we have not experienced such a decline.

Jerry L. Bainbridge
President