

J. L. BAINBRIDGE
& COMPANY, INC.

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Dear Mr. & Mrs. Client

As listed below the vast majority of the companies selected for investment again posted strong earnings growth in the third quarter, which represent record earnings on top of many years of record earnings.

INVESTMENT	EPS GROWTH
American Express	+25%
Avon Products	-7%
Cardinal Health	+6%
Donaldson	+8%
First Data	+11%
Forest Labs	-25%
General Electric	+16%
Henry Schein	+17%
Johnson & Johnson	+12%
McGraw-Hill	+18%
Medtronic	+23%
3M Company	+14%
Nuveen Investments	+32%
Pepsi	+14%
PETSMART	Flat
Procter & Gamble	+11%
Scotts Miracle Grow	+12%
Stryker	+21%
Sysco	-7%
Target	+37%
T Rowe Price	+41%
Wal-Mart	+8%
Wrigley	+12%

The above earnings did not go unnoticed by investors as our portfolio achieved a positive return last month while the market declined. Avon Products earnings declined as expected, due to the effect of high energy costs on their USA representatives and customers and the evolution to a direct selling mode in China, however the earnings decline was less than anticipated. As a result, Avon's stock appreciated 16% last Friday. Forest Laboratories earnings decline is due to a patent expiration together with new product development expenditures. The resumption of double digit earnings growth is expected next year. Finally, Sysco's earnings were affected by higher energy costs which could not be immediately passed on to customers. In addition to the terrific earnings for all of the other companies, another positive was Scotts Miracle Grow's announcement of a 2 for 1 stock split and a \$500 million stock repurchase program. Also they indicated next years earnings should increase by more than 25%. Based on the performance of the companies carefully selected for investment, we remain extremely optimistic.

Jerry L. Bainbridge, President