J. L. BAINBRIDGE
& COMPANY, INC.

May 25, 2006

Dear Mr. & Mrs. Client:

In 1999 and early 2000 the market experienced the most speculative investment frenzy since the 1920's. During this period money poured into technology and internet stocks with the expectation of achieving huge gains within a few months or even a few weeks. The effect was money was literally drained from high quality blue-chip growth stocks as these stocks were sold as a source of money to buy "new economy" stocks of companies that in many cases had no earnings and in some cases, no revenue. The party ended on March 7, 2000 with the NASDAQ at 5000 and the majority of analysts busily calculating how many days before the index would reach 6000. More than six years later, the NASDAQ is 56% below its March, 2000 high and both the Dow Jones and S&P 500 remain below their peak of six years ago, and for the investors that were lured into the boom, the dreams of wealth turned into financial despair. Our purpose for reviewing the not too distant past, is to bring the current bout of speculation into perspective, and to advise our clients to stand clear.

While it is difficult to comprehend how investors could forget so quickly the lessons and devastating results of the recent past, the current speculation in both commodities and emerging nations' stock markets is rampant. As was the situation six years ago, most investors participating are utilizing commodity mutual funds, international mutual funds, exchange-traded funds and/or hedge funds that invest in a single or a small number of commodities or emerging markets. The assumption is these are professionally managed and therefore the risk is low. But in reality these professional managers are simply following the crowd in an attempt to produce the high returns investors are seeking. Accordingly, as has been the case many times in the past, most investors do not become aware of the risks their hard earned money is being exposed to until prices fall precipitously. For example the price of natural gas has declined 47% since the beginning of this year, and the price of a mundane metal such as copper has declined 13% in just the past nine days. In emerging markets the losses are even greater. India's and Russia's stock markets have soared 32% and 57% respectively from the beginning of this year through May 8, lost 63% and 71% respectively of that gain in just the past twelve days.

As we have experienced in the past, speculative binges focus on high risk investments at the expense of quality growth companies that appear dull in exciting times. As a consequence the speculators have achieved better results than we have over the past twelve months. When this will change cannot be projected precisely, but given the declines sited above, the chances are the party is either over or close to its end. Regardless, we will adhere to our conservative, long-term growth, logically based investment program that has been proven successful over the past twenty five years. We are focused on minimizing risk and achieving long-term results that fulfill clients dreams by providing the wealth to educate their children and live an enhanced retirement.

Jerry L Bainbridge, President