

J. L. BAINBRIDGE  

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& C O M P A N Y, I N C.

April 3, 2007

Dear Client:

I am now 65 years of age which raises the question regarding my retirement plans. First of all I assure you I have no plans to retire. Twenty years ago this spring Fay and I resigned from AT&T which we consider to be our date of retirement. My investment idol, Warren Buffet is in his late seventies and has no plans to retire. I love money management and have as much desire to grow the business today as at anytime in the past twenty years. In addition, I treasure our client relationships and look forward to many more years of success together. Our mission is to build and preserve clients' wherewithal for an enhanced retirement and meet their goals regarding the education of their heirs.

However the day will come when I will have to discontinue working, hopefully twenty or more years from now, and without a succession plan we would be remiss to both our clients and our team members. Fortunately we have a team of very dedicated individuals with great integrity and talent that are part owners of the business. Transfer of ownership is a key element of our succession plan and every year all team members have the opportunity to buy additional shares from Fay and me. The other element of our plan for the future was the formation two years ago of an investment committee with all team members participating with the policy that new investments requires unanimous approval. The success of this committee is evident by the fact three out of the last four additions to our stock portfolio originated from members other than myself. The key to the long-term success of this business is adhering to the disciplined conservative investment philosophy developed twenty five years ago, which I stress to the team relentlessly. Straying from this philosophy during the technology boom of 1999 and 2000, would have broken our pledge to our clients that we will always minimize risk and would have resulted in devastating losses for clients and the demise of our business. The entire team is committed to this philosophy to the point I am confident if something were to happen to me, clients would be well served for decades to come.

I am a firm believer in the concept that in order to serve clients well, a business must grow at a brisk pace. Sitting back results in team member losing the opportunity to achieve higher levels of income and business skills which leads to the lack of incentive to do their best. In addition stagnation removes the excitement of success that makes coming to work everyday rewarding and keeps the company vibrant. We have learned over the years advertising, direct mailings and other means of promoting our business are not very productive and produce prospective clients looking for short-term profits which do not fit our conservative long-term philosophy. Therefore, our plan is to continue to grow via client referrals as we have over the past twenty-six years. Consequently we invite you to refer potential clients via of the enclosed form. Your referrals have enabled us to reach \$400 million of assets under management, and will enable us to reach our goal of over billion dollars. We very much appreciate your referrals as well as the confidence you have in us that you demonstrate when referring a family member friend or business associate for personal financial advice and counseling.

Jerry L. Bainbridge, President

