

J. L. BAINBRIDGE
& COMPANY, INC.

November 24, 2009

Dear Clients:

Bristol Myers Squibb (BMY) is offering to exchange shares of BMY for shares of Mead Johnson. Our recommendation is do not accept the exchange. Therefore you can disregard the mailing or email you received in that no action is automatically considered a decline. We began purchasing BMY in September for their five percent dividend and promising pipeline of biotechnology pharmaceutical produces under development. While the current price has moved above our purchase price limit, we will wait patiently for an opportunity to add to our position.

Currently there is considerable media attention to the decline of the dollar and several clients have asked what the impact is on our investments. In order to put the current decline in perspective, a comparison with the previous decline, which began in early 2006 and ended in the spring of 2008, is instructive. Relative to the low point of that decline, would you guess the current level of the dollar is:

- a) Higher
- b) About the same
- c) Lower
- d) Much lower

The answer is (a) in that today's level is about 5% higher. While this does not mean the weakness of the dollar is not a valid concern, it does demonstrate we are not at the end of the world. What is causing the decline and will it continue? Today's near zero percent interest rate on short-term Treasuries is the main culprit which will self-correct when the Federal Reserve allows rates to rise to normal levels. With rates this low, investors simply sell dollars and reinvest the proceeds in other countries' financial instruments that pay higher interest. The other culprit is the Federal deficit which has longer-term consequences and will be more difficult to rein in. A continuation of trillion dollar deficits beyond 2010 will undermine the economy and cause the dollar to fall further.

Because the deficit together with the housing decline and high unemployment could cause the US economy to recover slower than has been the case over the past one hundred years, our investment strategy is to own high quality American companies that conduct a majority of their business in faster growing international markets. This faster growth, combined with the fact these companies have reduced costs dramatically in their US operations such that modest growth domestically translates into much faster profit growth, is the heart of our strategy to achieve a good return in the face of slow US growth. In addition our focus on companies with huge international businesses provides a hedge against a decline of the dollar. For example assume a 10% decline in the dollar, a company with 60% of its business in foreign markets would see a 6% increase in earnings when these foreign earnings are translated into dollars.

Jerry Bainbridge, President