

January 27, 2009

Tom A. McFerson, CPA, ABV
Gatto McFerson, CPAs
528 Arizona Avenue, Suite 201
Santa Monica, California 90401

Re: Current Economic Environment for Veterinarians in California - December

Dear Tom,

As we mentioned in our previous letters, this fall, our nation's economy took an additional turn for the worse. The veterinary industry, usually resilient during tough financial times, has significantly felt this slowdown over the last few months.

Given the current state of events, we thought it would be a useful service to our clients, colleagues, and friends to track how the veterinary industry is performing throughout California. The previous letters reported the results for October and November 2008. This letter looks at December 2008.

We currently are tracking monthly revenue numbers for almost seventy-five practices. We have segregated these practices into three classes: Small Animal – Southern California (up to and including Bakersfield), Small Animal – Northern California, and Specialty & Referral.

We are tracking:

- How our industry performed for the calendar year 2008, as compared to 2007.
- How our industry performed during the month of December 2008, as compared to 2007 (this was the third full month of the recent, worsening crisis).
- How the above numbers look after removing any price increases in 2008. This gives us the true growth/decline of these practices.

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The results have been attached to this letter.

According to our numbers, it appears that the small animal general practices in both Southern and Northern California bounced back in December, with Northern California faring particularly well.

Specialty and referral practices, down big in October and November, were down to a lesser extent in December.

The above results, while only one month, are encouraging, and from what we are hearing, January may continue this trend.

We will gather January 2009 data and once it has been analyzed, we will send you the results.

The more veterinary practices that we include in our sample, the more accurate a picture we can paint of what is happening economically.

If you know of any practice owners who might like to take part, please let us know. Financial data can be submitted directly to us via our website www.gattomcferson.com. All information will be kept strictly confidential. Once they have shared information, they would be added to distribution list.

Also, starting next month, this letter will be sent to you electronically. Results will also be posted on our website.

Please let us know if you have any questions or comments on the above information.

Sincerely,



Tom A. McFerson, CPA

**Veterinary Practice Performance in California
December 2008**

	Gross Revenues			
	One Month Ended October 31, 2008	One Month Ended November 30, 2008	One Month Ended December 31, 2008	Twelve Months Ended December 31, 2008
<u>Small Animal - Southern California</u>				
Increase/(decrease) as compared to 2007	4.61%	-1.22%	3.65%	2.02%
Increase/(decrease) as compared to 2007 - adjusted for price increases	0.14%	-5.04%	-0.49%	-1.20%
<u>Small Animal - Northern California</u>				
Increase/(decrease) as compared to 2007	-4.77%	-3.89%	10.42%	2.26%
Increase/(decrease) as compared to 2007 - adjusted for price increases	-9.80%	-8.26%	5.93%	0.90%
<u>Specialty - California</u>				
Increase/(decrease) as compared to 2007	-9.79%	-16.46%	-4.09%	-1.04%
Increase/(decrease) as compared to 2007 - adjusted for price increases	-13.57%	-19.86%	-8.02%	-4.55%