

December 22, 2008

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 - November

Dear Tom,

As we mentioned in our previous letter, 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 continue to track how the veterinary industry is performing throughout California. The previous letter reported the results of October 2008. This letter looks at November 2008.

We currently are tracking monthly revenue numbers for almost **sixty-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 attempting to track:

- How our industry has performed through the first eleven months of 2008, as compared to 2007.
- How our industry performed during the month of November 2008, as compared to 2007 (this was the second 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.

The results are as follows:

Veterinary Practice Performance in California November 2008		
	Gross Revenues	
	One Month Ended November 30, 2008	Eleven Months Ended November 30, 2008
<u>Small Animal - Southern California</u>		
Increase/(decrease) as compared to 2007	-1.22%	2.06%
Increase/(decrease) as compared to 2007 - adjusted for price increases	-5.04%	-1.14%
<u>Small Animal - Northern California</u>		
Increase/(decrease) as compared to 2007	-3.89%	0.99%
Increase/(decrease) as compared to 2007 - adjusted for price increases	-8.26%	-2.31%
<u>Specialty - California</u>		
Increase/(decrease) as compared to 2007	-16.46%	-1.30%
Increase/(decrease) as compared to 2007 - adjusted for price increases	-19.86%	-4.64%

According to our numbers, it appears that small animal practices in both Southern and Northern California were hit in November, with Northern California faring worse. Specialty and referral practices, hit especially hard in October, were hit even harder in November.

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

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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. All information will be kept strictly confidential. Once they have shared information, they would be added to distribution list.

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

Sincerely,



Tom A. McFerson, CPA