

December 5, 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**

Dear Tom,

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.

As rumors of empty appointment books, unpaid bills, and layoffs swirl, practice owners are understandably nervous about where their practices are headed.

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.

We currently are tracking monthly revenue numbers for almost **sixty 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 nine months of 2008, as compared to 2007.
- How our industry performed during the month of October 2008, as compared to 2007 (this was the first 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:

<b>Veterinary Practice Performance in California October 2008</b>		
	<b>Gross Revenues</b>	
	<u>One Month Ended October 31, 2008</u>	<u>Ten Months Ended October 31, 2008</u>
<b><u>Small Animal - Southern California</u></b>		
Increase/(decrease) as compared to 2007	4.61%	3.48%
Increase/(decrease) as compared to 2007 - adjusted for price increases	0.14%	0.16%
<b><u>Small Animal - Northern California</u></b>		
Increase/(decrease) as compared to 2007	-4.77%	0.93%
Increase/(decrease) as compared to 2007 - adjusted for price increases	-9.80%	-3.01%
<b><u>Specialty - California</u></b>		
Increase/(decrease) as compared to 2007	-9.79%	2.13%
Increase/(decrease) as compared to 2007 - adjusted for price increases	-13.57%	-1.57%

According to our numbers, it appears that small animal practices in Southern California held up significantly better in October than those in Northern California. The specialty and referral practices were hit especially hard in October, and from what we're hearing, November was worse.

We are in the process of gathering November data. 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