

September 28, 2009

**Re: Current Economic Environment for Veterinarians in California –
August/Summer Recap**

Dear Friends and Colleagues,

As we mentioned in our previous letters, our nation's economy has been struggling, and the veterinary industry, usually resilient during tough financial times, has felt this slowdown.

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 2008 through July 2009. **This letter looks at August 2009. It also looks at the summer months of 2009 as a whole.**

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

The results are attached to this letter. We are tracking:

- How our industry performed for the first eight months of 2009, as compared to 2008.
- How our industry performed during the month of August 2009, as compared to August 2008 (this was the eleventh full month of the worsening crisis).
- How our industry performed during the summer of 2009, as compared to 2008.
- How the above numbers look after removing any price increases in 2009. This gives us the true growth/decline of these practices.

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According to our numbers, it appears that the small animal general practices in Northern California had a stronger August than those in Southern California. For the summer months overall, it appears that both parts of the state saw a modest amount of revenue growth, as compared to 2008.

Specialty, emergency and referral practices dipped again, reporting revenue drops of 2% to 6% for the month, compared to the prior year.

It appears that the results for September will again be sluggish. We will gather September 2009 data, and once it has been analyzed 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, so 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. Once they have shared information, they would be added to distribution list. All information will be kept strictly confidential.

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
August 2009/Summer Recap**

	Gross Revenues			
	One Month Ended July 31, 2009	One Month Ended August 31, 2009	Summer Months 2009 *	Eight Months Ended August 31, 2009
<u>Small Animal - Southern California</u>				
Increase/(decrease) as compared to prior year	1.93%	-0.17%	3.05%	2.45%
Increase/(decrease) as compared to prior year - adjusted for price increases	-0.46%	-3.47%	-0.30%	-0.03%
<u>Small Animal - Northern California</u>				
Increase/(decrease) as compared to prior year	0.13%	3.94%	4.66%	3.25%
Increase/(decrease) as compared to prior year - adjusted for price increases	-0.78%	0.19%	1.67%	0.80%
<u>Specialty/Emergency - California</u>				
Increase/(decrease) as compared to prior year	-4.59%	-2.42%	-3.11%	-5.08%
Increase/(decrease) as compared to prior year - adjusted for price increases	-6.75%	-5.98%	-6.33%	-7.62%
* June, July and August combined				