

September 30, 2010

Re: Current Economic Environment for Veterinarians in California – August

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 2010. **This letter looks at August 2010.**

We are currently tracking monthly revenue numbers for **one-hundred and 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, Emergency & Referral.

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

- How our industry performed for the first eight months of 2010, as compared to 2009.
- How our industry performed during the month of August 2010, as compared to August 2009.
- How the above numbers look after removing any price increases in 2010. This gives us the true growth/decline of these practices.

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According to our numbers, it appears that the veterinary industry continues to be very flat.

Small animal general practices in Southern California saw a revenue increase of close to 1% for the month, as compared to 2009.

Small animal general practices in Northern California saw little or no change for the month, as compared to 2009.

Specialty, emergency and referral practices saw revenue decreases of about 2% to 4% for the month, compared to the prior year.

It appears that the results for September will be similar. We will gather September 2010 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 2010**

	Gross Revenues			
	One Month Ended June 30, 2010	One Month Ended July 31, 2010	One Month Ended August 31, 2010	Eight Months Ended August 31, 2010
<u>Small Animal - Southern California</u>				
Increase/(decrease) as compared to prior year	-1.30%	-0.61%	1.32%	0.07%
Increase/(decrease) as compared to prior year - adjusted for price increases	-2.53%	-1.85%	0.09%	-1.10%
<u>Small Animal - Northern California</u>				
Increase/(decrease) as compared to prior year	-1.74%	0.96%	0.90%	0.06%
Increase/(decrease) as compared to prior year - adjusted for price increases	-3.38%	-0.78%	-0.81%	-1.64%
<u>Specialty/Emergency - California</u>				
Increase/(decrease) as compared to prior year	-0.97%	-1.82%	-2.37%	-1.32%
Increase/(decrease) as compared to prior year - adjusted for price increases	-2.91%	-3.72%	-4.28%	-2.63%