

March 31, 2011

Re: Current Economic Environment for Veterinarians in California – March

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 January 2011. **This letter looks at February 2011.**

We have also charted the results for 2010/2011, following this letter.

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 two months of 2011, as compared to 2010.
- How our industry performed during the month of February 2011, as compared to February 2010.
- How the above numbers look after removing any price increases in 2011. This gives us the true growth/decline of these practices.

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According to our numbers, it appears that the veterinary industry had a flat February.

Small animal general practices in Southern California saw **revenue flat to down 1% for the month**, as compared to 2010.

Small animal general practices in Northern California saw **a revenue decrease of between 2% and 3% for the month**, as compared to 2010.

Specialty, emergency and referral practices saw **a slight revenue increase of about 1% for the month**, compared to the prior year.

It appears that the results for March may be mixed. We will gather March 2011 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,

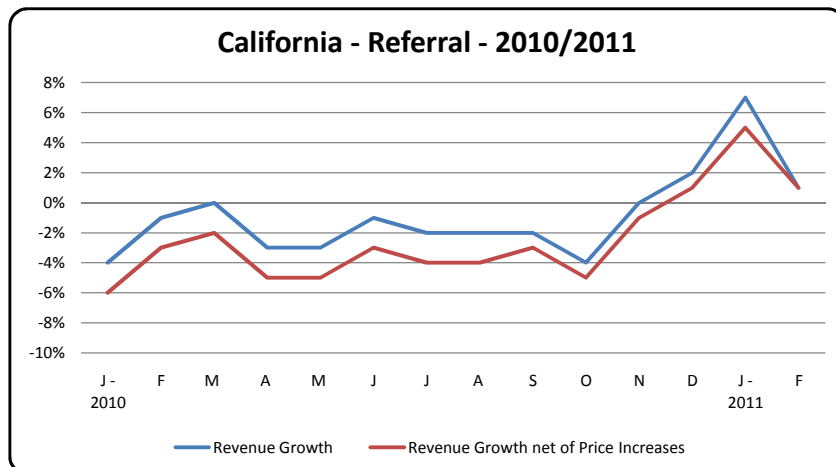
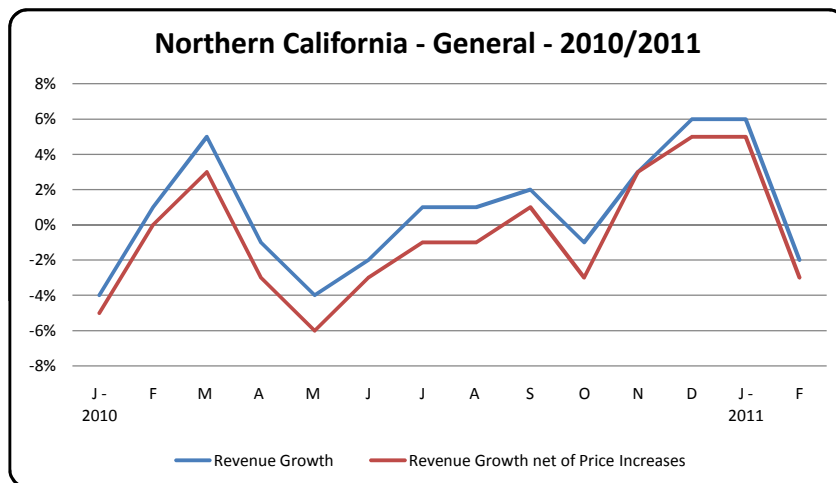
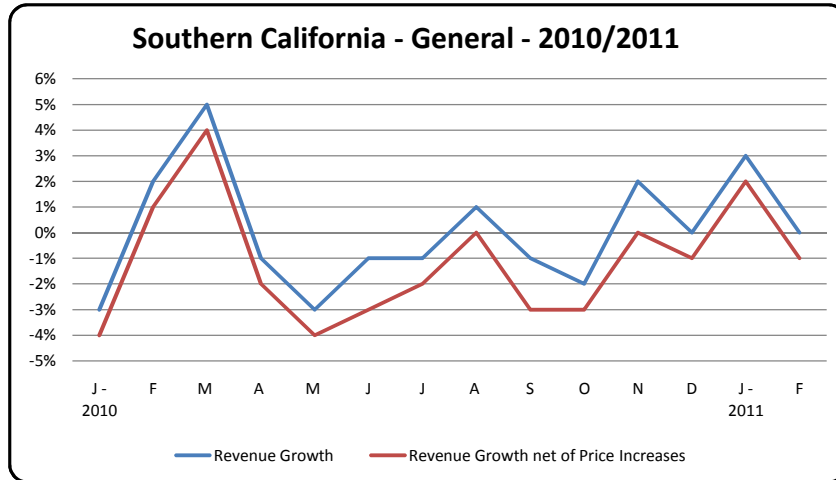


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**Veterinary Practice Performance in California
February 2011**

| | Gross Revenues | | | |
|---|---|--|---|--|
| | One Month Ended December 31, 2010 | One Month Ended January 31, 2011 | One Month Ended February 28, 2011 | Two Months Ended February 28, 2011 |
| <u>Small Animal - Southern California</u> | | | | |
| Increase/(decrease) as compared to prior year | 0.04% | 3.07% | 0.13% | 1.89% |
| Increase/(decrease) as compared to prior year - adjusted for price increases | -1.04% | 1.57% | -1.12% | 0.52% |
| <u>Small Animal - Northern California</u> | | | | |
| Increase/(decrease) as compared to prior year | 5.80% | 6.33% | -2.35% | 1.71% |
| Increase/(decrease) as compared to prior year - adjusted for price increases | 4.65% | 5.56% | -2.80% | 1.13% |
| <u>Specialty/Emergency - California</u> | | | | |
| Increase/(decrease) as compared to prior year | 1.81% | 6.67% | 1.05% | 4.91% |
| Increase/(decrease) as compared to prior year - adjusted for price increases | 0.68% | 5.18% | 0.77% | 4.04% |

Veterinary Practice Performance in California



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