

February 27, 2009

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 - January

Dear Tom,

As we mentioned in our previous letters, our nation's economy has taken a major turn for the worse. The veterinary industry, usually resilient during tough financial times, has significantly 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 through December 2008. **This letter looks at January 2009.**

We are currently tracking monthly revenue numbers for almost **seventy-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.

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

- How our industry performed for the calendar year 2008, as compared to 2007.
- How our industry performed during the month of January 2009, as compared to January 2008 (this was the fourth full month of the worsening crisis).
- 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 both Southern and Northern California more or less treaded water in January 2009, with both parts of the state posting small gains.

Specialty and referral practices continued to fare the worst, reporting revenue drops of close to 10% for the month, compared to the prior year.

It appears that, given the drumbeat of bad news regarding the overall economy as well regionally, February has been a rough month. We will gather February 2009 data and once it has been analyzed, we 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.

Also, starting next month, this letter will be sent to you electronically. 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
January 2009**

	Gross Revenues			
	<u>One Month Ended October 31, 2008</u>	<u>One Month Ended November 30, 2008</u>	<u>One Month Ended December 31, 2008</u>	<u>One Month Ended January 31, 2009</u>
<u>Small Animal - Southern California</u>				
Increase/(decrease) as compared to prior year	4.61%	-1.22%	3.65%	5.16%
Increase/(decrease) as compared to prior year - adjusted for price increases	0.14%	-5.04%	-0.49%	4.63%
<u>Small Animal - Northern California</u>				
Increase/(decrease) as compared to prior year	-4.77%	-3.89%	10.42%	1.73%
Increase/(decrease) as compared to prior year - adjusted for price increases	-9.80%	-8.26%	5.93%	1.11%
<u>Specialty - California</u>				
Increase/(decrease) as compared to prior year	-9.79%	-16.46%	-4.09%	-9.78%
Increase/(decrease) as compared to prior year - adjusted for price increases	-13.57%	-19.86%	-8.02%	-10.20%