

August 28, 2009

Tom A. McFerson, CPA, ABV
Gatto McFerson, CPAs, LLP
528 Arizona Avenue, Suite 201
Santa Monica, California 90401

Re: Current Economic Environment for Veterinarians in California - July

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 2008 through June 2009. **This letter looks at July 2009.**

We are currently tracking monthly revenue numbers for almost **one-hundred and fifteen 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 seven months of 2009, as compared to 2008.
- How our industry performed during the month of July 2009, as compared to July 2008 (this was the tenth 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 Northern and Southern California **had a sluggish July**, showing nowhere near the growth shown the month before.

Specialty, emergency and referral practices dipped again, reporting revenue drops of 5% to 7% for the month, compared to the prior year.

It appears that the results for August will again be sluggish. We will gather August 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
July 2009**

	Gross Revenues			
	One Month Ended May 31, 2009	One Month Ended June 30, 2009	One Month Ended July 31, 2009	Seven Months Ended July 31, 2009
<u>Small Animal - Southern California</u>				
Increase/(decrease) as compared to prior year	3.14%	8.31%	1.93%	2.60%
Increase/(decrease) as compared to prior year - adjusted for price increases	1.55%	5.74%	-0.46%	1.17%
<u>Small Animal - Northern California</u>				
Increase/(decrease) as compared to prior year	1.23%	9.77%	0.13%	3.15%
Increase/(decrease) as compared to prior year - adjusted for price increases	0.61%	8.77%	-0.78%	2.41%
<u>Specialty/Emergency - California</u>				
Increase/(decrease) as compared to prior year	-9.94%	-3.18%	-4.59%	-5.48%
Increase/(decrease) as compared to prior year - adjusted for price increases	-11.74%	-5.16%	-6.75%	-7.41%