

December 31, 2010

Re: Current Economic Environment for Veterinarians in California – November

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 October 2010. **This letter looks at November 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 eleven months of 2010, as compared to 2009.
- How our industry performed during the month of November 2010, as compared to November 2009.
- How the above numbers look after removing any price increases in 2010. This gives us the true growth/decline of these practices.

Page 2

According to our numbers, it appears that the veterinary industry had a stronger November.

Small animal general practices in Southern California saw a revenue increase of between 1% and 2% for the month, as compared to 2009.

Small animal general practices in Northern California saw a revenue increase of between 2% and 3% for the month, as compared to 2009.

Specialty, emergency and referral practices saw revenue that was essentially flat for the month, compared to the prior year.

It appears that the results for December may be similar. We will gather December 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
November 2010**

	Gross Revenues			
	<u>One Month Ended September 30, 2010</u>	<u>One Month Ended October 31, 2010</u>	<u>One Month Ended November 30, 2010</u>	<u>Eleven Months Ended November 30, 2010</u>
<u>Small Animal - Southern California</u>				
Increase/(decrease) as compared to prior year	-1.42%	-1.56%	1.71%	-0.20%
Increase/(decrease) as compared to prior year - adjusted for price increases	-2.62%	-2.77%	0.41%	-1.42%
<u>Small Animal - Northern California</u>				
Increase/(decrease) as compared to prior year	2.46%	-0.90%	2.59%	0.11%
Increase/(decrease) as compared to prior year - adjusted for price increases	0.68%	-2.65%	2.07%	-1.90%
<u>Specialty/Emergency - California</u>				
Increase/(decrease) as compared to prior year	-1.92%	-4.07%	0.02%	-1.62%
Increase/(decrease) as compared to prior year - adjusted for price increases	-3.01%	-5.13%	-1.09%	-2.72%