

Sent: December 5, 2017 at 3:29 PM

Subject: Changes at the PECRC

To all of the shareholders:

At some recent Board meetings, and at the NVA presentation, we have had several shareholders inquire about all of the changes happening at the PECRC. The Board has attempted to keep you all informed by sending minutes, updates, reports from Vet Support, and letters from the Board and a shareholder, but there are still some questions about "How did we get here?" I hope this information will be helpful.

The whole process of the changes at the PECRC started early this year with a request by some employees to the Board president (at that time) for a change in management of the business. In the past, the Board was not particularly involved with management (as that should not have to be their function). Looking at the financial reports from Feb, 2016 to March 2017 (no figures for July '16 or Feb '17), the cash disbursements exceeded the total revenue of the clinic in 8 of 12 months. From Feb. 2016 to October 2017, of the 19 months that I have data for, 12 of those months have distributions in excess of total clinic revenue. We realize cash disbursements are not a complete financial picture, and we realize that we do have a new building, but those figures were of concern to the Board. We had also heard multiple reports of negative communications between staff, doctors, doctors and staff, and between departments. The Board felt we had the responsibility to investigate these concerns.

In April, the Board called an executive session and spent over 4 hours interviewing anyone who wished to come to speak anonymously about their experiences as an employee of the PECRC. Some reviews were positive, but most were not, revealing real issues within the walls of our new hospital.

As a result of our financial concerns and the scope of negativity we were hearing, in April of this year, the Board researched several companies that evaluate veterinary practices, and selected Vet Support for their expertise in evaluating emergency and specialty practices. Brandon Hess, from Vet Support, made 3 visits to the PECRC over the time period from May to September and provided us with reports from each visit, which were provided then to the shareholders.

There were 4 major areas of concern:

The first was a management issue. The PECRC has grown in large part because of the dedication and hard work of Mike O'Dea and Terry Brown, and I believe we all appreciate what they have done. The recommendation in the reports from Vet Support indicated the business had grown to a complexity that a part time practice manager was no longer enough. The recommendation was to split the management responsibility between a full time practice manager and a part time medical director. As a result of that report and the concerns of the Board, Matt DeMarco headed a working committee to find a full time practice manager. That culminated in the hiring of Sarah Koca, who will start next week. Mike O'Dea has signed on as Medical Director

The second concern was financial. In reviewing expenditures, it revealed that the ER doctors were compensated above the national average for ER doctors. The national average, per Vet Support, is 25-29% of collected ER revenue, inclusive of benefits, and our ER compensation package was at 36% inclusive of benefits which were administered out of the now infamous "slush fund". We began a series of discussions with the ER team and as you know, that has led to much stress for those doctors. The Board has always valued them, so negotiating a lower income for them has been difficult, but necessary for the sustainability of the practice. We cannot continue to increase our revenue by just raising fees to our clients-we need to look at expenditures as well. In October, we arrived at what we hoped would be an agreeable amount for the ER doctors, and on advice from our attorney, to have agreements in place (there were few, or none). An agreement was drafted by council for the PECRC and the doctors were given until November 15th to sign as the compensation change was scheduled to begin Jan 1. The delay in not making this change at the beginning of discussions (May) was in part to allow the ER doctors to adjust to what was going to be a decrease in their income-not a fun situation. We needed to set a date for signing at least 6 weeks prior to Jan 1 as Mike needs to schedule the shifts and he does that 1-2 months in advance. One of the ER doctors has chosen to retire, and 2 of the ER doctors chose not to sign as their attorney had objections to 2 clauses in the agreement. The attorney for the PECRC feels those clauses need to be in the agreement for the protection of the PECRC as a business. The Board was compelled to take the advice of the attorney who works for us.

The third concern was the negativity and culture of the practice. Those issues are complex with personal and legal ramifications, so with the search for a practice manager, we looked for a person with a strong background in HR and conflict resolution. We have found that in Sarah Koca, and we will trust her to open lines of communication and help these people work as a team.

A fourth concern was the fee schedule, which in the past, has been automatically increased, mostly across the board by 3% every 6 months. As a result, there are some fees that no longer seem reasonable. The Board feels we should not be involved in setting the fees, but have asked that before further increases are made, a thorough and thoughtful review be made that makes our fees not only profitable, but fair.

The way all of this should work is this: the shareholders own the business-they elect a Board which is tasked with fiduciary responsibility to the shareholders, enacting policies and procedures for the betterment of the business, to hire the best people to carry out those policies and procedures, and to hold management accountable for fulfilling those tasks. As you will remember, at one point, the employees demanded that one of the Board members resign-I think it is not common, nor advisable, for employees to demand that their employer resign, (Much as they might wish to do so)

NVA entered the picture when a major shareholder, seeing the multiple difficulties with the practice, asked that we contact them to discuss a potential purchase. The

Board is now forming a working committee to investigate that possibility, and it will be the shareholders who decide that.

There are obviously many other issues we have encountered, and variable opinions about their causes and solutions. None of these concerns will be resolved with slamming doors, pounding on tables, and disrespectful behavior. As my husband always says, there are 3 sides to every story-your side, my side, and the facts. At the bottom of every set of minutes we have sent out, we have listed our contact information and asked that you contact us with questions or concerns. The shareholders have every right to elect a new Board if the direction the current Board has taken is not one the shareholders can support. The Board is elected by the shareholders, and you have the right to choose to change. This is not personal to us-it is business. Sadly, some of the Board actions have been taken personally to the demise of long term relationships and friendships. If a sale to NVA does take place, some, or all shareholders may no longer have a financial stake in the business side of the PECRC, but we all will still have a stake in the quality of care provided to our clients, and your clients and their pets. Remember that NVA has said they prefer to remain hands off in the day-to-day management of the business. The remaining list of issues to be resolved will remain, and will need to be addressed by someone. Great quality of care will only be accomplished if the business is operated efficiently and it once again becomes a place where people love to work.

Thank you, Linda Wood DVM, President of the BOD