Memo

To: Gordon V. Christopher, DVM
From: David J. Shuffler
Date: 12/10/10
Re: Management Company Operating Model

COMMENTS:

In order to optimize productivity and maximize financial performance, Veterinary Care Associates, LLC must leverage scale without losing its entrepreneurial spirit, replicate best practices across all satellite practices and focus on clinical protocols, administrative procedures and operational processes.

VCA must transition to a new operating model and develop a best in class business structure that will enable it to focus on same site growth, increasing the active client population, targeting attractive acquisitions and containing the cost of clinical supplies as well as reducing general and administrative expense.

A management company operating model is a platform that will enable VCA et al to create the infrastructure necessary to drive scale and centralize purchasing, consolidate back office operations, standardize systems, maximize resource utilization and reduce waste.

1. MANAGEMENT COMPANY

   ● Legal Structure
   
   ● Ownership
   
   ● Accounting and Tax Issues
   
   ● Management Staff

   A. CEO
      ○ Job Description
      ○ Compensation
      ○ Employment Agreement
B. Finance and Strategic Planning
   ○ Job Description
   ○ Compensation
   ○ Employment Agreement

C. Chief of Staff
   ○ Job Description
   ○ Compensation
   ○ Employment Agreement

D. Operations and Administration
   ○ Job Description
   ○ Compensation
   ○ Employment Agreement

E. Medical Director
   ○ Job Description
   ○ Compensation
   ○ Employment Agreement

● Organization Chart

A. Finance and Strategic Planning
   ○ Strategic Planning
   ○ Consiglio to CEO
     1. Management and Operations
     2. Accounting
     3. Resource Utilization
   ○ Budgeting
     1. Forecasting
     2. Benchmarking
   ○ Banking
     1. Deposit Services
     2. Loan Accommodations
     3. Credit Card Merchant Services
B. Chief of Staff

○ DVM Scheduling

○ Central Purchasing

C. Operations and Administration

○ Satellite Management
  1. Day to Day Operations

○ Accounting and Bookkeeping
  1. Accounts Receivable
  2. Accounts Payable
  3. Budget Management
  4. Financial Engineering
  5. Expense Management
  6. Tax Planning

○ Human Resources
  1. DVM, Paraprofessional and Lay Staff Recruitment
  2. Paymaster
  3. Health Insurance
  4. Retirement Planning

○ Insurance
  1. Professional Liability
  2. Life and Disability
  3. Property and Casualty

○ Marketing
  1. Media
  2. Collateral Material
  3. Web Site

○ Master Real Estate Lease

○ Technology
  1. On site IT Staff v. Outsource
  2. Computing
  3. Management Information System
MANAGEMENT COMPANY (Continued)

D. Medical Director

○ Continuing Education

○ Quality Assurance
  1. Patient Records

○ Peer Review

○ Patient Management Protocol
  1. New Client Appointing
  2. Recall Appointing
  3. No Show Protocol
  4. Reschedule Appointing

2. OPERATING COMPANY

A. Structure

○ Holding Company
  1. NRAH (1120 Taxpayer)
  2. PAH (1065 Taxpayer)
  3. HVAH ((1120S Taxpayer)

○ Independent Satellite Practices

B. Ownership

○ Valuation Criteria
  1. Capitalization Rate

○ Partnership Track

C. Accounting

○ Budget Management

○ Expense Management

○ Financial Statement Preparation
OPERATING COMPANY (Continued)

D. Tax Planning
   ○ Financial Engineering

E. Organization Chart
   ○ Hospital Director
     1. Professional Staff
     2. DVM Technicians
   ○ Operations Supervisor
     1. Administrative Staff