



# Pet DRx Corporation

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December 2, 2008

Dear Pet DRx Shareholder,

As you are aware, fiscal 2008 has been an eventful period for Pet DRx Corporation (Pet DRx) filled with challenges and our success in addressing them. The purpose of this letter is to summarize some of the previously disclosed events and their associated resolutions, update investors on various aspects of our corporate strategy, and convey our optimism for the future of Pet DRx.

As many of you know, I was named Chairman of Pet DRx in January 2008 following the Company's merger with Echo Healthcare Acquisition Corp. I have been associated with Pet DRx for the past two years and I have personally invested a great deal of time as well as money in the Company. I believe similar to some of my prior healthcare successes that Pet DRx has the potential to become a meaningful company in the industry.

## **Financial Results Summary for the Nine Months Ended September 30, 2008.**

For the nine months ended September 30, 2008, Pet DRx reported revenue of \$53.4 million, up 16% compared with revenue of \$46.1 million for the first nine months of 2007, with same store revenue growing slightly. The revenue increase was due to the acquisition of six veterinary hospitals late in the first quarter of 2007, and the acquisition of Valley Animal Medical Center in July 2008. The net loss for the first nine months of 2008 was \$11.4 million, or \$0.49 per share, compared with a net loss of \$9.2 million, or \$2.25 per share, in the first nine months of 2007.

## **Operating Initiatives**

To combat the challenges from this year, Pet DRx has undertaken a number of substantive actions to improve operating efficiencies at Pet DRx's hospital locations and rationalize the cost of our corporate office. We have:

- Stabilized and strengthened the business unit and management team for our California operations;
- Restructured the senior management team and added seasoned professionals in the areas of Finance, Operations, and Business Development;
- Reduced corporate overhead by eliminating eleven positions in the corporate office;
- Closed one hospital due to continuing poor performance;
- Repositioned one hospital with the addition of an MRI unit and added two specialists to the staff with services scheduled to resume December 8th;
- Implemented an improved cash management system;
- Added five board certified specialists to our hub facility in the San Francisco Bay area;
- Acquired Valley Animal Medical Center which helps complete our hub and spoke model for the Coachella Valley, one of the fastest growing areas in the USA;
- Closed a free standing emergency hospital and consolidated the operations with Valley Animal Medical Center; and
- Developed and rolled out a stock option plan for Pet DRx Veterinarians to more closely align their interest with that of the Pet DRx and its stockholders.



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**Recent changes in corporate management** have been instituted with direct positive effects noted at all hospitals. This is responsible for the improvement and changes that are taking place at our facilities. Veterinarians and their staff are working together more effectively and there is a greater understanding of the Company, its business and key management. We have assigned our three area managers to regions that are more localized and manageable. These area managers work with the hospital managers and medical directors to oversee the daily numbers and costs structures. Regularly scheduled meetings and the new management system have launched a variety of initiatives for improvement as a result of the opportunity to oversee not only top line revenue, but also staff costs and other variables which are now more closely scrutinized.

Dr. David Reed, one of the Company's longest standing surgeon partners, has assumed the role of Senior VP of operations and has been able to improve management of the hospitals by working directly with the medical directors and staff. His many years of experience have enabled him to successfully bridge a previously missing link tying together the medical staff, managers and corporate support personnel. Staff costs and supply expense have improved and are being more carefully analyzed by the team. Several hospitals have been successfully merged per the original plans while one hospital has been closed due to poor management, increased costs and lack of profitability.

**Practice management and integration efforts** are becoming more effective through improved change management processes. This has permitted us to make the computer system a more integral part of the daily work load. At our request, IDEXX has brought in managers and staff to help with the implementation of the new version of the Cornerstone system. The use of the Cornerstone system enables management to be more effective in managing laboratory services, digital imaging services, staff and veterinarians, and capturing appropriate charges for services and work performed. We have established a Medical Advisory Board, composed of several of our top doctors, to advise and work directly with our Board of Directors. Through this group we are able to achieve support for proposed operation changes, standardize drug and supply items and recruit more doctors through a referral network. I am pleased to say that this is functioning and that we have established good communications and relationships with our Medical Advisory Board.

## **Strategic Initiatives for FY 2009**

Working closely with our dedicated and talented team of professionals, we are creating a culture of action, accountability, foresight, and urgency. Getting to this point has consumed much of our attention. However, we believe that we have positioned Pet DRx to be more competitive, efficient, and to profitably pursue the opportunities inherent in our market sector.

While I am pleased with the progress we are making in creating efficiencies in the administration of our hospitals, adding doctors and new services, I know more needs to be done. Over the next several months we will continue to:

- Focus on improving our core operating platform;
- Obtain additional financing to fund our growth and future acquisitions; and
- Acquire hospitals and practices that fit into our hub and spoke model.



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We expect that with the execution of these initiatives, we will be closer to achieving performance levels commensurate with our industry norms.

On behalf of Pet DRx's management, employees, and Board of Directors, I want to thank our investors for their continued support.

Sincerely,

Gene E. Burlison

A handwritten signature in blue ink, appearing to read "Gene E. Burlison".

Chairman and Chief Executive Officer