SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) February 27, 1996

VETERINARY CENTERS OF AMERICA, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	1-10787	95-4097995
(State or other jurisdiction of incorporation)	(Commission file number)	(I.R.S. employer identification number)

3420 OCEAN PARK BOULEVARD, SUITE 1000, SANTA MONICA, CALIFORNIA 90405
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code (310) 392-9599

ITEM 5: OTHER EVENTS

Attached hereto are the historical financial statements of Pets' Rx, Inc. for the years ended December 31, 1995, 1994, and 1993, the unaudited pro forma financial statements of Veterinary Centers of America, Inc. ("VCA") and the unaudited pro forma financial statements of VCA and Pets' Rx, Inc. in connection with the transactions contemplated by that certain Agreement and Plan of Reorganization dated February 27, 1996 among VCA, PRI Merger Company, Pets' Rx, Inc. and certain stockholders of Pets' Rx. Inc. named therein.

Report of Independent Public Accountants

To the Board of Directors and
Stockholders of Pets' Rx, Inc.:

We have audited the accompanying consolidated balance sheet of Pets' Rx, Inc. (a Delaware corporation) and subsidiary as of December 31, 1995, and the related consolidated statements of operations, redeemable preferred stock and stockholders' equity (deficit), and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pets' Rx, Inc. and subsidiary as of December 31, 1995, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

San Jose, California
March 20, 1996

REPORT OF INDEPENDENT ACCOUNTANTS

To The Board of Directors and
Stockholders of Pets' Rx, Inc.

In our opinion, the accompanying balance sheet and the related statements of operations, of redeemable preferred stock and stockholders' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of Pets' Rx, Inc at December 31, 1994 and the results of its operations and its cash flows for the years ended December 31, 1994 and 1993 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ Price Waterhouse LLP

PRICE WATERHOUSE LLP
San Jose, California
September 12, 1995

PETS' RX, INC.

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 1995 AND 1994

(In thousands, except share and per share data)

ASSETS

	1995	1994
CURRENT ASSETS:		
Cash and cash equivalents	$ 752	$ 2,254
Other current assets (Note 2)	671	571
Total current assets	1,423	2,825
PROPERTY AND EQUIPMENT, net (Note 2)	4,054	4,138
INTANGIBLE ASSETS, net (Note 2)	9,490	9,909
NOTE RECEIVABLE (Note 3)	100	293
OTHER ASSETS	265	118
	$15,332	$17,283

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	1995	1994
CURRENT LIABILITIES:		
Accounts payable	$ 1,080	$ 854
Current portion of long-term obligations (Note 4)	1,412	702
Accrued expenses and other current liabilities (Note 2)	1,358	1,188
Total current liabilities	3,850	2,744
LONG-TERM OBLIGATIONS, net of current portion (Note 4)	9,426	10,986
MINORITY INTEREST (Note 3)	251	-
COMMITMENTS AND CONTINGENCIES (Note 3 and 9)		
REDEEMABLE CONVERTIBLE PREFERRED STOCK: 2,000,000 shares designated; 915,464 shares issued and outstanding in 1995 and 1994 (Note 5)	2,947	2,947
STOCKHOLDERS' EQUITY (DEFICIT) (Notes 6 and 7):		
Preferred stock, $0.01 par value; 5,000,000 shares authorized		
Convertible preferred stock, 100,000 shares designated Series A; 38,000 and 35,000 shares issued and outstanding in 1995 and 1994	3,395	3,095
Convertible preferred stock (Series A) 5,000 shares subscribed	-	150
Common stock, $0.01 par value; 20,000,000 shares authorized; 6,265,685 and 6,069,261 shares issued and outstanding in 1995 and 1994	63	61
Additional paid-in capital	3,547	3,470
Accumulated deficit	(8,147)	(6,170)
Total stockholders' equity (deficit)	(1,142)	606
	$15,332	$17,283

PETS' RX, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993
(In thousands)

	1995	1994	1993
REVENUES	$15,622	$ 9,638	$ 5,785
COSTS OF SERVICES:			
Cost of revenues	3,045	2,055	1,214
Salaries and wages of clinic operations	6,136	4,162	2,429
Other operating expenses of clinics	4,055	2,562	1,594
	13,236	8,779	5,237
Gross profit	2,386	859	548
GENERAL AND ADMINISTRATIVE	2,203	1,777	1,054
DEPRECIATION AND AMORTIZATION	1,200	919	562
WRITE-OFF OF GOODWILL	-	-	123
Operating loss	(1,017)	(1,837)	(1,191)
INTEREST EXPENSE	(1,009)	(1,006)	(352)
INTEREST INCOME	99	38	21
Loss before minority interest in income of subsidiary	(1,927)	(2,805)	(1,522)
MINORITY INTEREST IN INCOME OF SUBSIDIARY	50	-	-
Net loss	$(1,977)	$(2,805)	$(1,522)

The accompanying notes are an integral part of these consolidated financial statements.

PETS' RX, INC.

CONSOLIDATED STATEMENTS OF REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

(In thousands, except share data)

	Redeemable Preferred Stock		Stockholders' Equity (Deficit) Series A Preferred Stock		Common Stock	
	Shares	Amount	Shares	Amount	Shares	Amount
BALANCE AT DECEMBER 31, 1992	792,170	$2,515	-	$ -	1,792,500	$18
Issuance of common stock warrants	-	-	-	-	-	-
Issuance of redeemable preferred stock warrants	-	-	-	-	-	-
Redeemable preferred stock dividend	59,424	208	-	-	-	-
Subscription of Series C preferred stock	-	-	-	-	-	-
Net loss	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 1993	851,594	2,723	-	-	1,792,500	18
Redeemable preferred stock dividend	63,870	224	-	-	-	-
Issuance of common stock for surrender of Series C preferred stock subscription	-	-	-	-	537,500	5
Issuance of Series A convertible preferred stock, net of issuance cost of $238	-	-	35,000	3,262	-	-
Issuance of common stock to directors in conjunction with sale of Series A preferred stock						
Subscription of Series A convertible preferred stock	-	-	-	-	-	-
Issuance of common stock for exercise and surrender of warrants	-	-	-	-	645,000	6
Issuance of common stock for payment of note interest	-	-	-	-	357,903	4
Issuance of common stock for note conversion	-	-	-	-	2,441,358	25
Issuance of common stock for acquisition	-	-	-	-	25,000	-
Issuance of common stock warrants	-	-	-	-	-	-
Net loss	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 1994	915,464	2,947	35,000	3,095	6,069,261	61
Issuance of Series A convertible preferred stock	-	-	3,000	300	-	-
Issuance of common stock for bridge note conversion	-	-	-	-	142,960	2
Issuance of common stock for exercise and surrender of warrants	-	-	-	-	53,464	-
Net loss	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 1995	915,464	$2,947	38,000	$3,395	6,265,685	$63

The accompanying notes are an integral part of these consolidated financial statements.

	Stockholders' Equity (Deficit)			
	Additional Paid-in Capital	Stock Subscribed	Accumulated Deficit	Total
BALANCE AT DECEMBER 31, 1992	$1,386	$ -	$(1,411)	$ (7)
Issuance of common stock warrants	101	-	-	101
Issuance of redeemable preferred stock warrants	121	-	-	121
Redeemable preferred stock dividend	-	-	(208)	(208)
Subscription of Series C preferred stock	-	200	-	200
Net loss	-	-	(1,522)	(1,522)
BALANCE AT DECEMBER 31, 1993	1,608	200	(3,141)	(1,315)
Redeemable preferred stock dividend	-	-	(224)	(224)
Issuance of common stock for surrender of Series C preferred stock subscription	195	(200)	-	-
Issuance of Series A convertible preferred stock, net of issuance cost of $238	-	-	-	3,262
Issuance of common stock to directors in conjunction with sale of Series A preferred stock	164	-	-	-
Subscription of Series A convertible preferred stock	-	150	-	150
Issuance of common stock for exercise and surrender of warrants	49	-	-	55
Issuance of common stock for payment of note interest	219	-	-	223
Issuance of common stock for note conversion	1,207	-	-	1,232
Issuance of common stock for acquisition	15	-	-	15
Issuance of common stock warrants	13	-	-	13
Net loss	-	-	(2,805)	(2,805)
BALANCE AT DECEMBER 31, 1994	3,470	150	(6,170)	606
Issuance of Series A convertible preferred stock	-	(150)	-	150
Issuance of common stock for bridge note conversion	77	-	-	79
Issuance of common stock for exercise and surrender of warrants	-	-	-	-
Net loss	-	-	(1,977)	(1,977)
BALANCE AT DECEMBER 31, 1995	3,547	$ -	$(8,147)	$(1,142)

The accompanying notes are an integral part of these consolidated financial statements.

PETS' RX, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

(In thousands)

	1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(1,977)	$(2,805)	$(1,522)
Adjustments to reconcile net loss to net cash used in operating activities-			
Depreciation and amortization	1,200	919	562
Gain on sale of land and building	(19)	-	-
Write-off of goodwill	-	-	123
Minority interest in income of subsidiary in excess of distributions	7	-	-
Changes in assets and liabilities, net of effect of acquired clinics-			
Other current assets	(88)	116	(136)
Other assets	19	(51)	(36)
Accounts payable	607	476	115
Accrued expenses and other current liabilities	32	954	219
Net cash used in operating activities	(219)	(391)	(675)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(916)	(114)	(160)
Purchases of veterinary clinics	(40)	(862)	(1,140)
Sale of marketable securities	-	-	140
Proceeds from sale of land and building	600	-	-
Payments received (advances made) under note receivable	193	(98)	2
Net cash used in investing activities	(163)	(1,074)	(1,158)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term obligations	-	294	1,426
Proceeds from issuance of redeemable preferred stock warrants and common stock warrants	-	13	222
Net proceeds from issuance of convertible preferred stock, preferred stock subscribed, and common stock	150	3,467	200
Principal payments under long-term obligations	(1,270)	(603)	(356)
Net cash provided by (used in) financing activities	(1,120)	3,171	1,492
Net increase (decrease) in cash and cash equivalents	(1,502)	1,706	(341)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,254	548	889
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 752	$ 2,254	$ 548
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest paid during the year	$ 972	$ 982	$ 324
Non-cash financing activities-			
Payment of accrued interest on notes by issuance of common stock	$ -	$ 223	$ -
Conversion of notes payable to common stock	$ 79	$ 1,232	$ -
Capital leases	$ 78	$ -	$ -
Conversion of accounts payable to note payable	$ 381	$ -	$ -

The accompanying notes are an integral part of these consolidated financial statements.

PETS' RX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1995

1. THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES:

The Company

Pets' Rx, Inc. (the "Company") was incorporated in Delaware on May 28, 1991. The Company is engaged in the acquisition and operation of veterinary clinics. As of December 31, 1995, the Company operates 16 clinics in the San Jose and Sacramento, California, and Las Vegas, Nevada, markets.

The Company has substantial operating and debt service obligations as a result of the significant acquisition activity (see Note 3). The Company will require additional capital in 1996 if the merger discussed in Note 11 is not consummated.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiary. All significant intercompany transactions and balances have been eliminated. Minority interest on the accompanying balance sheet represents the initial contribution of assets to the subsidiary by the minority member increased by the member's share of income less distributions made.

Revenue Recognition

Revenues are recognized upon performance of veterinary services or sale of related veterinary products.

Cash Equivalents

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

Inventories

Inventories consist of veterinary supplies, pharmaceuticals, and retail veterinary products and are stated at the lower of cost, determined using the first-in, first-out basis, or market.

Property and Equipment

Property and equipment are stated at cost. Property and equipment, other than leasehold improvements, are depreciated using the straight-line method over the estimated useful lives of the assets, generally thirty-seven years for buildings and three to seven years for equipment. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements.

Intangible Assets

Acquired animal records are valued based on their expected future contribution and are amortized using the straight-line method over the estimated lives of the records, generally seven years. Payments due under covenants not to compete are capitalized and amortized over the life of the covenants, generally five years, using the straight-line method. The excess of the Company's investment in veterinary clinics over the fair value of the net assets acquired (goodwill) is amortized using the straight-line method over its estimated useful life of 40 years. Intangible assets relating to discontinued clinics are charged to expense upon approval of the decision to close the clinic.

Income Taxes

Income taxes are determined using an asset and liability approach that recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns.

New Accounting Standards

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," which will be effective for the Company's 1996 fiscal year. SFAS No. 123 allows companies which have stock-based compensation arrangements with employees to adopt a new fair-value basis of accounting for stock options and other equity instruments, or to continue to apply the existing accounting rules under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" but with additional financial statement disclosure. The Company plans to continue to account for stock-based compensation arrangements under APB Opinion No. 25 and, therefore, does not anticipate SFAS No. 123 will have a material impact on its financial position, results of operations or cash flows.

In March 1995, the Financial Accounting Standards Board issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of." This pronouncement requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is to be recognized when the sum of undiscounted cash flows is less than the carrying amount of the asset. Measurement of the loss for assets that the entity expects to hold and use is to be based on the fair value of the asset. Although this pronouncement did not have a material impact on the Company's financial condition or results of operations at adoption in 1996, its provisions will be applicable to any future assessments of its long-lived assets. Goodwill not associated with long-lived assets will continue to be assessed under APB Opinion No. 17.

Reclassifications

Certain prior year amounts have been reclassified to conform to their 1995 classifications.

2. BALANCE SHEET COMPONENTS (in thousands):

	December 31, 1995	December 31, 1994
Other current assets:		
Accounts receivable, net	$ 205	$ 210
Inventories	429	346
Prepaid expenses	37	15
	$ 671	$ 571
Property and equipment:		
Buildings	$ 2,002	$ 2,487
Clinic equipment	1,534	1,381
Leasehold improvements	682	254
Computer and office equipment	627	290
	4,845	4,412
Less- Accumulated depreciation and amortization	(939)	(537)
	3,906	3,875
Land	148	263
	$ 4,054	$ 4,138
Intangible Assets:		
Covenants not to compete and animal records	$ 3,314	$ 3,351
Goodwill	8,359	7,960
	11,673	11,311
Less- Accumulated amortization	(2,183)	(1,402)
	$ 9,490	$ 9,909
Accrued Expenses and Other Current Liabilities:		
Payroll	$ 246	$ 207
Professional services	252	139
Vacation	183	145
Settlement	200	350
Other	477	347
	$ 1,358	$ 1,188

3. ACQUISITIONS:

Since its inception, the Company has completed the acquisition of 19 veterinary clinics (of which three have been merged into other clinics). All of the acquisitions were accounted for using the purchase method of accounting; accordingly, the costs of these acquisitions have been allocated to assets acquired based on their fair value at date of acquisition. The results of the acquired clinics are included in the Company's results commencing from the date of acquisition.

During 1993, the Company completed the acquisition of four veterinary clinics for total consideration of $6,733,000 consisting of $1,140,000 in cash, $5,350,000 in secured promissory notes payable, $200,000 payable under covenants not to compete, and the assumption of $43,000 in trade and payroll liabilities.

During 1994, the Company completed the acquisition of six veterinary clinics for total consideration of $4,031,000 consisting of $862,000 in cash, $2,529,000 in secured promissory notes payable, $325,000 payable under convenants not to compete, 25,000 shares of newly issued common stock of the Company valued at $15,000 and the assumption of $300,000 of notes payable.

In conjunction with one of the 1994 acquisitions, the Company advanced cash of $100,000 to the seller in exchange for an unsecured note receivable. Under the terms of the note, the Company will receive quarterly installments of interest at a rate of 7.5% per annum, with the entire principal balance and all accrued and unpaid interest due on November 1, 2004.

The Company is contingently obligated for additional purchase price consideration related to one of its 1994 acquisitions. The amount to be paid equals 50 percent of the amount by which the revenues for the twelve-month period ending September 1997 exceed a base revenue amount. This additional consideration will be recorded as additional purchase price when and if earned.

During 1995, the Company completed the acquisition of two veterinary clinics. In April 1995, the Company acquired a veterinary hospital for a total consideration of $218,000 consisting of $40,000 in cash, $25,000 in secured promissory note payable, $15,000 payable under covenants not to compete, $31,000 payable under an assumed lease obligation, and $32,000 in other assumed liabilities. The agreement also requires an additional payment based on revenues derived from pre-acquisition clients during the eighteen month period after the acquisition. As such, the Company recorded additional purchase price and a liability of $75,000 for the amounts expected to be paid in 1996. The purchase price will be adjusted in 1996 to reflect the actual payment.

During 1995, a limited liability company (LLC) was formed by combining a veterinary clinic owned by the Company (Spring Mountain Clinic) with the practice of another veterinary clinic owned by an unrelated party. Certain assets were contributed by each party to form the new entity, which is not liable for any contracts or for any indebtedness relating to the predecessor clinics. The Company has an 80% interest in the LLC. The Company has certain obligations under an operating lease for the real property of the facility used by the other member prior to the consolidation of the operations of the LLC into the Spring Mountain clinic. Upon the occurrence of certain events, including an initial public offering or merger with a public company (see Note 11), the minority owner's interest may be converted into shares of the public entity.

The pro forma results listed below are unaudited and reflect purchase price accounting adjustments assuming the 1994 and 1995 acquisitions occurred at January 1, 1994. The pro forma results are not necessarily indicative of what actually would have occurred if the acquisitions had been in effect for the entire periods presented. In addition, they are not intended to be a projection of future results and do not reflect any efficiencies that might be achieved from the combined operations.

	1995	1994
Revenues	$15,863	$13,426
Net loss	(1,962)	(3,004)

4. LONG-TERM OBLIGATIONS: Long-term obligations consisted of the following (in thousands, except share data):

	December 31,	
	1995	1994
Promissory notes, secured by clinics, bearing interest at interest rates between 7% and 10% payable monthly, principal is generally due in monthly installments through July 2014	$ 7,517	$ 8,285
Promissory note, interest at prime plus 3% (11.75% at December 31, 1995), principal and interest payable in monthly installments through July 2000	133	154
Convertible promissory note payable to a shareholder, officer and director, secured by a clinic, interest at 9% per annum payable semi-annually, principal due July 1996, convertible into 75,000 shares of common stock	250	250
Convertible promissory notes, secured by clinics, interest at 7% per annum payable monthly, principal due through December 2003, convertible into 88,625 shares of common stock	649	649
Convertible promissory note payable to an employee, secured by a clinic, interest at 8.5% per annum, interest and principal payable in monthly installments from January 1994 through December 1998, convertible into 100,000 shares of common stock	671	686
Convertible promissory notes payable primarily to directors and stockholders, secured by common stock and key man life insurance, interest at 12% per annum payable annually, principal due December 1998, convertible into shares of common stock at a conversion rate of $0.6233	183	272
Convertible promissory notes payable primarily to stockholders, interest at 12%, repaid at maturity on January 1, 1996	307	307

	December 31, 1995	December 31, 1994
Obligations under covenants not to compete, payable in installments through 2003	782	1,005
Installment obligations bearing interest at 8% to 10.25%, due through 2005	295	-
Installment obligations, variable interest rates, periodic installments due through 1996	-	131
Capital lease obligations (see Note 9)	69	-
Total obligations	10,856	11,739
Less- Unamortized portion of discount on notes payable	(18)	(51)
Less- Current portion	(1,412)	(702)
Total long-term obligations	$ 9,426	$10,986

Future principal payments, excluding capital lease obligations (see Note 9), are as follows (in thousands):

Year Ending December 31,	
1996	$ 1,398
1997	1,650
1998	1,555
1999	476
2000	429
Thereafter	5,279
	$10,787

In 1995, the Company restructured a $50,000 payment under a covenant not to compete to extend the payment date to 1997. In consideration of the extension, the Company committed to issue 2,500 shares of the Company's common stock and granted an option to convert the $50,000 into the Company's common stock at $2.50 per share. No shares have been issued under this agreement as of December 31, 1995.

Convertible Promissory Notes Issued with Stock Warrants

Under the terms of a financing agreement the Company entered into during 1993, the Company issued convertible promissory notes with a face value of $1,348,000, warrants to purchase 404,250 shares of common stock at an exercise price of $0.50 per share and warrants to purchase

404,250 shares of Series B Convertible Preferred Stock at an exercise price of $0.50 per share. The common warrants may be exercised at any time until their expiration in December 1998. The preferred warrants allowed for exercise until December 1998 or upon repayment or conversion of the promissory notes. The estimated fair value of the warrants has been recorded as discount on notes payable and is being amortized over the term of the notes. In 1994 and 1995, 645,000 and 53,464 shares of common stock were issued upon exercise and surrender of warrants, respectively. All shares were issued at a reduced exercise price under the terms of the agreement for the issuance of Series A Preferred Stock.

In December 1993, the Company received $500,000 in cash for a $500,000 convertible promissory note and a subscription for 500,000 shares of Series C Preferred stock valued at $0.40 per share. These proceeds have been allocated among the note payable and the stock subscription, with the difference between the face value and the proceeds being recorded as discount on notes payable and amortized over the term of the note. The face value of the note was $500,000 and bears interest at 12%.

During 1994, notes payable with a face value of $1,575,000 were converted into 2,441,358 shares of common stock including shares for interest thereon. The Company also issued convertible promissory notes with a face value of $307,000 together with warrants to purchase 127,813 shares of common stock at an exercise price of $2.40 per share. The common warrants expire in December 1998.

5. REDEEMABLE CONVERTIBLE PREFERRED STOCK:

The Company's articles of incorporation authorize the issuance of up to 5,000,000 shares of Preferred Stock, 2,000,000 of which have been designated redeemable convertible preferred stock.

The Redeemable Preferred Stock has certain rights, preferences and restrictions. Each share of Redeemable Preferred Stock is convertible into one and one-half shares of common stock, subject to adjustment for dilution, at the option of the holder. The Redeemable Preferred Stock automatically converts to common stock upon the sale of common stock by the Company pursuant to an effective registration statement under the Securities Act of 1933 at a price per share of at least $5.25.

The Company's articles of incorporation cannot be amended to alter in an adverse manner the designations, preferences or other rights of the Redeemable Preferred Stock without the consent of the holders of a majority of the outstanding shares of Redeemable Preferred Stock, voting together as a class. Similar consent is required for a change to the Company's articles of incorporation that establishes, authorizes or enlarges a series of any class of capital stock ranking senior to the Redeemable Preferred Stock. The Redeemable Preferred Stock shareholders have no additional voting rights.

At its option, the Company may redeem the then outstanding shares of Redeemable Preferred Stock at any time after October 15, 1994 at a redemption price of $3.50 per share plus all declared but unpaid dividends. On October 15, 2001, any shares of Redeemable Preferred Stock remaining outstanding must be redeemed at a redemption price of $3.50 per share plus all declared but unpaid dividends.

In the event of liquidation, the holders of the Redeemable Preferred Stock are entitled to receive, prior to and in preference to any distribution to the holders of common stock, the amount of $3.50 plus any accrued but unpaid dividends. After such distribution, holders of the Redeemable Preferred Stock are entitled to no further participation in the remaining assets of the Company.

The holders of Preferred stock are entitled to receive, when and as declared by the Board of Directors, cash dividends per share in the amounts determined by the Board of Directors.

The Redeemable Preferred Stock is on parity with all other preferred stock.

6. CONVERTIBLE PREFERRED STOCK

Series A Preferred Stock

In October 1994, the Company entered into an agreement whereby the Company sold 35,000 shares of Series A Preferred Stock to an investor at a price of $100 per share (par value $0.01 per share). Also pursuant to the agreement, approximately $1,575,000 of the Company's 12% Convertible Promissory Notes was converted into Common Stock. The agreement also limits the number of preferred stock purchase warrants which may be issued.

The agreement also required a reduction in the number of directors. In conjunction with this reduction, the Company issued certain directors 270,000 shares of common stock for no consideration (see Note 7). The fair value of these shares has been recorded as issuance costs of the Series A Preferred Stock.

Concurrent with the closing, a director and shareholder agreed to purchase 5,000 shares of the Series A Preferred Stock for an aggregate consideration of $500,000. Through December 31, 1995, the Company had received payments totaling $300,000 pursuant to which 3,000 shares were issued. The remaining $200,000 was received in 1996, at which time the remaining subscribed shares were issued. The Series A Preferred Stock has certain rights, preferences and restrictions.

The Series A Preferred Stock is on a parity with all other "Convertible Preferred Stock" and "Series B Convertible Preferred Stock," when issued. The Series A is senior to Common Stock.

Holders of the Series A Preferred Stock are entitled to receive, when and if declared by the Board of Directors, cumulative dividends at the annual rate of
7.5% times the stated value ($100 per share); provided, however, that dividends must also have been declared on the "Convertible Preferred Stock" and the "Series B Convertible Preferred Stock."

In the event of any voluntary or involuntary liquidation or dissolution, the holders of Series A Preferred Stock are entitled to an amount equal to $125 per share, plus accrued and unpaid dividends.

Series A shareholders may convert such shares into shares of Common Stock at a rate equal to the stated value plus accrued and unpaid dividends, divided by the conversion price. The initial conversion price is $2.50 per share. Shares of Series A will be converted into shares of Common Stock at the conversion rate should the Company file a registration statement for a common share offering with aggregate gross proceeds of at least $7,500,000.

Series A holders and the Common Stock class will vote together as a class on transactions and each share of Series A is entitled to the number of votes per share equal to the number of shares of Common Stock issuable upon conversion of the Series A. However, as long as at least 10,000 shares of Series A are issued and outstanding, the Board of Directors shall not exceed five members and the holders of Series A are entitled (voting as a class) to elect in person or by proxy one director. If less than 10,000 shares are issued and outstanding, the term of the director elected by the Series A shall end and the remaining directors shall fill the vacancy. In addition, there are voting rights to prevent the establishment of new capital stock classes and enlargement of existing classes.

Series B Preferred Stock Warrants

During 1994 and 1995, outstanding warrants for Series B Preferred Stock were surrendered to the Company for the direct issuance of shares of common stock into which the Series B Preferred Stock were convertible. As of December 31, 1995, warrants to purchase 55,018 shares of Series B Preferred Stock at an exercise price of $0.50 were outstanding.

7. COMMON STOCK:

During 1994, the Company issued 25,000 shares of common stock as part of the consideration for acquisition of a clinic and 357,903 shares of common stock for repayment of promissory note interest.

During 1993 and 1994 the Company issued certain equity securities to investors. In early 1996 the Company determined that such issuances were technically invalid due to the lack of filing legal documents in some states on a timely basis. Effective 1994, the Company's board of directors has resolved to issue 537,500 shares of common stock in exchange for the surrender of one class of such equity securities and to issue 322,500 shares of common stock in exchange for the surrender of the other class of such equity securities. Such shares of common stock represent the number of shares into which the invalidly issued securities were originally converted in 1994.

Common Stock Warrants

In addition to the common stock warrants discussed in Note 4, the Company, as of December 31, 1995, has warrants outstanding to purchase 108,544 common shares at exercise prices ranging from $0.50 to $2.66 per share. These warrants are exercisable at the option of the holder and expire on December 31, 1998. A nominal value was assigned to the warrants.

Common Stock Options

In July 1991, the Company granted an officer and director options to purchase 162,000 shares of the Company's common stock at a price of $0.50 per share. The options, which are currently exercisable, expire in July 2001.

In 1992 and 1993, the Board of Directors authorized the grant of options to officers of the Company to purchase 197,500 shares of common stock at a price of $2.33 per share. The options, which are currently exercisable, expire in December 2002.

In January 1992, the Board of Directors adopted a resolution which provides for the grant of common stock options to directors who are not employees of the Company (the "Outside Directors"). Under the resolution, each of the Outside Directors received options to purchase 54,000 shares of Common Stock at an exercise price per share of $1.67. Such options vest ratably over a four year period. In 1994, certain directors were required to resign, pursuant to the Stock Purchase Agreement for the issuance of Series A Preferred Stock. In consideration for the reconstitution of the Board of Directors, the Outside Directors' options became fully vested and the exercise price was reduced to zero. The fair value of the options were recorded as an issuance cost of the Series A Preferred Stock.

In 1994, the Board of Directors granted options to purchase 141,500 shares of Common Stock at a price of $2.75 per share to employees. These options, which are currently exercisable, expire in 2004 .

A summary of the stock option activity follows:

	Number of Shares	Price Per Share
Balance at December 31, 1992	421,500	$0.50 - $2.33
Granted	208,000	$2.33
Exercised	-	-
Canceled	-	-
Balance at December 31 ,1993	629,500	$0.50 - $2.33
Granted	141,500	$2.75
Exercised	(270,000)	-
Canceled	-	-
Balance at December 31, 1994	501,000	$0.50 - $2.75
Granted	2,500	$2.75
Exercised	-	-
Canceled	-	-
Balance at December 31, 1995	503,500	$0.50 - $2.75
Exercisable at December 31, 1995	503,500	$0.50 - $2.75

8. INCOME TAXES:

No provision for income taxes has been recorded as the Company has incurred losses since its inception.

At December 31, 1995, the Company has federal and state net operating loss ("NOL") carryforwards of approximately $6.5 million and $3.2 million, respectively. These NOL carryforwards expire at various dates through 2010 and 2000, respectively.

Deferred tax assets of approximately $2.6 million and $1.9 million, resulting primarily from NOL carryforwards, were fully offset by a valuation allowances as of December 31, 1995 and 1994 due to the uncertainty of realization.

Under the Tax Reform Act of 1986, the utilization of NOL carryforwards to reduce taxable income will be restricted in certain circumstances. Events which cause such a limitation include, but are not limited to, a cumulative ownership change of more than 50% over a three year period. Management believes that the issuance of Convertible Preferred Stock during 1994 caused such a change in ownership and, accordingly, utilization of NOL carryforwards may be limited in future years.

9. COMMITMENTS AND CONTINGENCIES:

The Company leases clinic and office facilities under noncancelable operating lease agreements. The leases require the Company to pay property taxes, maintenance and certain insurance expenses. Total rent expense under the operating leases was $944,000, $584,000 and $436,000 for the years ended December 31, 1995, 1994 and 1993, respectively.

Minimum future lease payments under non-cancelable operating and capital leases are as follows (in thousands):

Year Ending December 31,	Operating Leases	Capital Leases
1996	$ 859	$ 24
1997	817	24
1998	824	24
1999	762	21
2000	753	4
Thereafter	6,430	-
	$10,445	97
Less- Amounts representing interest		(28)
Present value of net minimum lease payments		$ 69

The cost of equipment under capital lease included in the balance sheet as property and equipment as of December 31, 1995 was approximately $78,000. Accumulated amortization of the leased equipment as of December 31, 1995 was approximately $13,000.

In February 1996, the Company settled a wrongful termination claim in which it was the defendant. The settlement amount of approximately $200,000 approximated the accrued amount as of December 31, 1995 related to this matter.

Various claims arising in the course of business, seeking monetary damages, are pending. The amount of liability, if any, from such claims cannot be determined with certainty; however, in the opinion of management, the ultimate outcome of such claims will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

10. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS:

The following disclosure of the estimated fair value of the Company's debt is made in accordance with the requirements of SFAS No. 107, "Disclosures about Fair Value of Financial Instruments." The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required to develop the estimates of fair value, thus the estimates provided therein are not necessarily indicative of the amounts that could be realized in a current market exchange.

	December 31, 1995	
	Carrying Amount	Fair Value
Fixed-rate long-term debt	$10,723	$10,427
Variable rate long-term debt	133	139
	$10,856	$10,566

The estimated fair value of the Company's fixed-rate long-term debt is based on prime plus an estimated spread at December 31, 1995 for similar securities with similar remaining maturities.

11. SUBSEQUENT EVENTS:

In February, 1996 the Company entered into a merger agreement with Veterinary Centers of America, Inc. (VCA). Under terms of the agreement, which is intended to qualify for pooling-of-interests accounting, stockholders and rights holders, as defined, are to receive shares with a market value on March 20, 1996 of approximately $25 million.

UNAUDITED PRO FORMA FINANCIAL DATA

VETERINARY CENTERS OF AMERICA, INC. AND SUBSIDIARIES

INTRODUCTION TO UNAUDITED PRO FORMA FINANCIAL DATA.

The following unaudited pro forma financial data and explanatory notes give effect to all acquisitions (33 animal hospitals and seven veterinary diagnostic laboratories) completed by Veterinary Centers of America, Inc. ("VCA") during 1995 and 1996 (through April 11, 1996) (the "VCA Acquired Companies"). The unaudited pro forma financial data do not reflect the pro forma effect of the application of approximately $11.0 million of the net proceeds of VCA's offering of approximately $84.3 million principal amount of convertible subordinated debentures due 2006 effected on April 12, 1996 to repay certain indebtedness incurred in connection with the acquisition of the VCA Acquired Companies. VCA does not believe that the pro forma effect of such use is material.

The unaudited pro forma financial data have been prepared utilizing the historical consolidated financial statements of VCA and the historical financial statements of the VCA Acquired Companies. The acquisitions of the VCA Acquired Companies have been accounted for under purchase accounting. The unaudited pro forma financial data are based on the estimates and assumptions set forth in the notes thereto.

The unaudited pro forma condensed consolidated statement of operations for VCA represents the historical results of operations of VCA for the year ended December 31, 1995 adjusted to reflect the acquisitions of the VCA Acquired Companies as if they had occurred at the beginning of the period. The unaudited pro forma condensed consolidated balance sheet represents the balance sheet of VCA at December 31, 1995 adjusted to reflect the acquisitions of the VCA Acquired Companies which occurred after December 31, 1995 (the "1996 VCA Acquired Companies") as if such acquisitions had occurred on December 31, 1995.

Unaudited pro forma financial data are provided for illustrative purposes only and are not necessarily indicative of the results of operations or financial position that would have occurred if the acquisitions of the VCA Acquired Companies and 1996 VCA Acquired Companies had been consummated at January 1, 1995 and December 31, 1995, respectively, nor are they necessarily indicative of future operating results or financial position.

VETERINARY CENTERS OF AMERICA, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1995
(In thousands, except per share data)

	VCA	VCA ACQUIRED COMPANIES (1)	PRO FORMA ADJUSTMENTS	VCA PRO FORMA COMBINED
Revenues				
Animal hospital	$ 51,437	$ 26,627		$ 78,064
Laboratory	37,606	16,066	$ 125 (2)	53,797
Pet food	4,756			4,756
Intercompany sales	(1,727)		(125)(3)	(1,852)
	92,072	42,693		134,765
Direct costs				
Animal hospital	42,056	23,874	(937)(4)	64,993
Laboratory	23,977	8,842	(589)(5)	32,230
Pet food	3,205			3,205
Intercompany sales	(1,727)		(125)(3)	(1,852)
	67,511	32,716	(1,651)	98,576
Gross profit				
Animal hospital	9,381	2,753	937	13,071
Laboratory	13,629	7,224	714	21,567
Pet food	1,551			1,551
	24,561	9,977	1,651	36,189
Selling, general and administrative	10,833	5,186	(876)(6)	15,143
Depreciation and amortization	3,291	879	839 (7)	5,009
Royalty fees		118	(118)(8)	
Restructuring charge	1,086		(1,086)(9)	
Operating income	9,351	3,794	2,892	16,037
Interest expense, net	1,639	268	1,444 (10)	3,351
Income before minority interest and provision for income taxes	7,712	3,526	1,448	12,686
Minority interest in income of subsidiaries	2,910	7	346 (11)	3,263
Income before provision for income taxes	4,802	3,519	1,102	9,423
Provision for income taxes	2,238	102	2,071 (12)	4,411
Net income	$ 2,564	$ 3,417	$ (969)	$ 5,012
Primary earnings per share	$ 0.24			$ 0.44
Weighted average common shares used for computing primary earnings per share	10,703		594 (13)	11,297
Fully diluted earnings per share	$ 0.23			$ 0.42
Weighted average common shares used for computing fully diluted earnings per share	11,238		594	11,832

VETERINARY CENTERS OF AMERICA, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 1995
(In thousands)

	VCA	1996 VCA ACQUIRED COMPANIES (14)	PRO FORMA ADJUSTMENTS	VCA PRO FORMA COMBINED
ASSETS				
Current assets:				
Cash and equivalents	$ 46,799	$ 350	$ (10,500)(15)	$ 36,649
Accounts receivable, net	6,303	1,163	66 (16)	7,532
Other current assets	5,187	464	(228)(17)	5,423
	58,289	1,977	(10,662)	49,604
Property and equipment, net	13,641	2,282	(422)(18)	15,501
Other assets:				
Notes receivable	878			878
Goodwill	61,159	12	19,408 (19)	80,579
Covenants	4,885		999 (20)	5,884
Other	2,613	62	(62)(21)	2,613
	$ 141,465	$ 4,333	$ 9,261	$ 155,059
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term debt	$ 6,009	$ 279	$ 1,731 (22)	$ 8,019
Accounts payable	4,850	156	(156)(23)	4,850
Other accrued liabilities	5,554	483	1,943 (22)	7,980
	16,413	918	3,518	20,849
Long-term obligations, less current portion	27,352	1,071	4,219 (24)	32,642
Deferred income taxes	1,301			1,301
Minority interest	4,605			4,605
Stockholders' equity	91,794	2,344	1,524 (25)(26)	95,662
	$ 141,465	$ 4,333	$ 9,261	$ 155,059

VETERINARY CENTERS OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Reflects the historical statement of operations data of the VCA Acquired Companies for the period from January 1, 1995 to the earlier of the respective dates of acquisition of such companies or December 31, 1995. Each of the acquisitions has been accounted for as a purchase. Accordingly, the results of operations of each such VCA Acquired Company is included in the results of operations of VCA from the date of acquisition.

The following are the VCA Acquired Companies: Cenvet, Inc. ("Cenvet"), January 1995; Animal Reference Lab, January 1995; BerLa, Inc. (d/b/a Animal and Avian Clinic of Golden Cove), January 1995; Silver Spur Animal Hospital, Inc., January 1995; Stephen A. LaDue D.V.M., P.A. (d/b/a Tampa Animal Medical Center), January 1995; Lewis Veterinary Hospital, Inc., February 1995; Animal Hospital of Sinking Spring, March 1995; Vet Research, Inc., March 1995; Lewelling Veterinary Hospital, Inc., April 1995; Northwest Veterinary Diagnostics, Inc., May 1995; South County Veterinary Clinic, Inc., May 1995; Alpine Veterinary Clinic, Inc., May 1995; Eagle River Veterinary Hospital, Inc., June 1995; Clinipath Diagnostics, Inc., July 1995; Florida Veterinary Laboratories, Inc. (composed of four hospitals), July 1995; Miller Animal Hospital, Inc., July 1995; Marina Veterinary Clinic, July 1995; South Shore Veterinary Associates, Inc., July 1995 (includes four animal hospitals); Pet Complex, P.A. (d/b/a All Pets Animal Complex-Sandy), July 1995; Brett T. Neville, D.V.M., Inc., P.C. (d/b/a All Pets Animal Complex-Taylorsville), July 1995; Castle Shannon Veterinary Hospital, Inc., August 1995; Fox Chapel Animal Hospital, Inc., September 1995 (includes two animal hospitals); East Anchorage Veterinary Hospital, Inc., September 1995; Greater Savannah Hospital for Animals, Inc., September 1995; Kaneohe Pet Health Center, November 1995; Elkton Veterinary Center, Inc. (composed of two hospitals), November 1995; Conawago Veterinary Practice, January 1996; Animal Hospital of St. Petersburg, Inc., January 1996; Kaneohe Veterinary Clinic, January 1996; Veterinary Referral Associates, Inc., February 1996; Lammers Veterinary Hospital, Inc., February 1996; Southwest Veterinary Diagnostics Inc., March 1996; Clarmar Animal Hospital, Inc., March 1996; Rotherwood Animal Clinic, Inc., March 1996 and Northboro Veterinary Clinic, Inc., April 1996.

(2) Represents the revenue for laboratory services previously rendered by laboratories not owned by VCA. Such services are to be rendered by laboratories owned by VCA following the respective dates of acquisition.

(3) Represents the elimination of intercompany revenue and the corresponding expense.

(4) Represents principally an adjustment of $328,000 related to rental expense for the difference between such historical amounts and that to be paid following the acquisitions as a result of modifications to lease terms or the purchase of the hospital land and buildings previously leased, and an adjustment of $506,000 related to compensation for services provided by owner/veterinarians and other key employees for the difference between such historical amounts and employment terms existing following the acquisition.

(5) Adjustments to direct costs consist primarily of (i) reductions of $605,000 to historical amounts to eliminate a charge incurred in connection with the consolidation of two acquired veterinary laboratories and an adjustment reflecting the net effect of the closure of two satellite laboratories that were consolidated into one central location following acquisition, and (ii) increases reflecting the incremental costs associated with the laboratory revenue which was previously rendered by laboratories not owned by VCA. Such services are to be rendered by laboratories owned by VCA following the respective dates of acquisition.

(6) Adjustments to selling, general and administrative expenses consist primarily of adjustments to certain VCA Acquired Companies' historical amounts relating to (i) compensation for services provided by owner/veterinarians and other key employees for the difference between such historical amounts and employment terms existing following the acquisition, and (ii) administrative services eliminated following certain acquisitions.

(7) Reflects additional depreciation of assets acquired and amortization of goodwill and other intangibles resulting from the acquisition of the VCA Acquired Companies. Goodwill acquired in 1995 and 1996 amounted to $52,683,000. Other intangibles acquired in 1995 and 1996 amounted to $6,141,000. Goodwill is amortized

over forty years. Other intangibles consist primarily of covenants not to compete and are amortized over the term of the agreement (principally 5 to 10 years).

(8) Reflects the elimination of royalty fee expense under an agreement that was not assumed by VCA.

(9) Reflects the elimination of restructuring costs of $1,086,000 related to the consolidation of two acquired veterinary laboratories.

(10) Reflects the additional interest expense that would have been incurred on the indebtedness of $26,793,000 issued by VCA in connection with the acquisitions of the VCA Acquired Companies. Annual interest rates on such indebtedness range from approximately 5.0 percent to 9.0 percent.

(11) Represents the minority interest in certain of the VCA Acquired Companies net of an adjustment of $219,000, to eliminate a minority interest in another VCA Acquired Company acquired in 1995.

(12) Represents an adjustment to provide income taxes at the effective rate.

(13) To reflect the issuance of approximately 1,318,200 shares of VCA Common Stock in connection with the acquisition of the VCA Acquired Companies.

(14) Reflects the combined financial position of the 1996 VCA Acquired Companies at December 31, 1995. See Note 1.

(15) Represents cash consideration paid in connection with the acquisition of the 1996 VCA Acquired Companies.

(16) Reflects an adjustment to net realizable value of accounts receivable acquired from certain companies.

(17) Reflects an adjustment to reflect other current assets, principally inventory, at fair market value.

(18) Reflects an adjustment to fair market value of property and equipment, net, acquired.

(19) Reflects the excess of cost over the fair value of the net tangible assets acquired in connection with the acquisition of the 1996 VCA Acquired Companies.

(20) Represents the value of consideration given in connection with non-compete agreements obtained in connection with the acquisition of the 1996 VCA Acquired Companies.

(21) Reflects the exclusion of certain assets not acquired in connection with certain acquisitions.

(22) Represents the indebtedness incurred or assumed in connection with the acquisition of certain of the 1996 VCA Acquired Companies, net of indebtedness of the acquired entities which was not assumed.

(23) Reflects the elimination of certain current liabilities not assumed in connection with the acquisition of certain of the 1996 VCA Acquired Companies.

(24) Reflects long-term indebtedness incurred in connection with the acquisition of certain 1996 VCA Acquired Companies at annual interest rates ranging from 5.0 percent to 8.0 percent.

(25) Reflects the elimination of the stockholders' equity of the 1996 VCA Acquired Companies.

(26) Represents the issuance of 242,925 shares of VCA Common Stock with a value of $3,868,000 in connection with the acquisition of the 1996 VCA Acquired Companies.

VETERINARY CENTERS OF AMERICA, INC. AND PETS' RX

INTRODUCTION TO UNAUDITED PRO FORMA FINANCIAL DATA

The following unaudited pro forma financial data and explanatory notes give effect to VCA's acquisition of the VCA Acquired Companies and to the consummation of the merger with Pets' Rx.

The unaudited pro forma financial data have been prepared utilizing VCA's unaudited pro forma financial data and the historical financial statements of Pets' Rx. The unaudited pro forma financial data are based on estimates and assumptions set forth in the notes to the unaudited pro forma financial data.

The unaudited pro forma condensed combined statement of operations represents the unaudited pro forma results of operations of VCA for the year ended December 31, 1995 adjusted to reflect the merger with Pets' Rx as if it had occurred at the beginning of the period. The unaudited pro forma condensed combined balance sheet represents the unaudited pro forma balance sheet of VCA adjusted to reflect the merger with Pets' Rx as if it had occurred on December 31, 1995.

Unaudited pro forma financial data are provided for illustrative purposes only and are not necessarily indicative of the results of operations or financial position that would have occurred if the merger with Pets' Rx had been consummated at January 1, 1995, nor are they necessarily indicative of future operating results or financial position.

VCA AND PETS' RX
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1995
(In thousands, except per share data)

	VCA PRO FORMA COMBINED(1)	PETS' RX	POOLING ADJUSTMENTS	VCA AND PETS' RX PRO FORMA COMBINED
Revenues				
Animal hospital	$ 78,064	$ 15,622		$ 93,686
Laboratory	53,797			53,797
Pet food	4,756			4,756
Intercompany sales	(1,852)			(1,852)
	134,765	15,622		150,387
Direct costs				
Animal hospital	64,993	13,236	$	78,229
Laboratory	32,230			32,230
Pet food	3,205			3,205
Intercompany sales	(1,852)			(1,852)
	98,576	13,236		111,812
Gross profit				
Animal hospital	13,071	2,386		15,457
Laboratory	21,567			21,567
Pet food	1,551			1,551
	36,189	2,386		38,575
Selling, general and administrative	15,143	2,203		17,346
Depreciation and amortization	5,009	1,200	$ (347)(2)	5,862
Writedown or assets			2,148 (3)	2,148
Operating income	16,037	(1,017)	(1,801)	13,219
Interest expense, net	3,351	910		4,261
Income (loss) before minority interest and provision for income taxes	12,686	(1,927)	(1,801)	8,958
Minority interest in income of subsidiaries	3,263	50		3,313
Income (loss) before income taxes and cumulative impact of accounting change	9,423	(1,977)	(1,801)	5,645
Provision for income taxes	4,411		(1,360)(4)	3,051
Net income (loss)	$ 5,012	$ (1,977)	$ (441)	$ 2,594
Primary earnings per share	$ 0.44			$ 0.21
Weighted average common shares used for computing earnings per share	11,297		850 (5)	12,147
Fully diluted earnings per share	$ 0.42			$ 0.20
Weighted average common shares used for computing fully diluted earnings per share	11,832		850 (5)	12,682

VCA AND PETS' RX

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AT DECEMBER 31, 1995
(IN THOUSANDS)

	VCA PRO FORMA COMBINED(1)	PETS' RX	POOLING ADJUSTMENTS	VCA AND PETS' RX PRO FORMA COMBINED
ASSETS				
Current assets:				
Cash and equivalents	$ 36,649	$ 752		$ 37,401
Accounts receivable, net	7,532	205		7,737
Other current assets	5,423	466		5,889
	49,604	1,423		51,027
Property and equipment, net	15,501	4,054		19,555
Deferred income taxes			$ 1,360 (6)	1,360
Other assets:				
Notes receivable	878	100		978
Goodwill	80,579	6,176	(3,773)(3)	82,982
Covenants	5,884	3,314	(185)(3)	9,013
Other	2,613	265		2,878
	$ 155,059	$ 15,332	$ (2,598)	$ 167,793
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term debt	$ 8,019	$ 1,412		$ 9,431
Accounts payable	4,850	1,080		5,930
Other accrued liabilities	7,980	1,358		9,338
	20,849	3,850		24,699
Long-term obligations, less current portion	32,642	9,426		42,068
Deferred income taxes	1,301			1,301
Minority interest	4,605	251		4,856
Redeemable convertible preferred stock		2,947	$ (2,947)(7)	
Stockholders' equity	95,662	(1,142)	349 (3)(5)	94,869
	$ 155,059	$ 15,332	$ (2,598)	$ 167,793

VCA AND PETS' RX

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

(1) Represents the pro forma results of operations of VCA assuming that the acquisitions of the Acquired Companies occurred on January 1, 1995.
(2) Represents the reduction of amortization expense due to the conforming reclassification of medical records to goodwill and the reduced goodwill amortization due to the 1993 conforming write down of assets.
(3) To reflect the write down of assets related to conforming the Pets' Rx method for evaluation the impairment of long lived assets to VCA's method. VCA uses an estimate of the related facility's undiscounted net income over the remaining life of the goodwill and other intangibles in measuring whether the goodwill is recoverable.
(4) Represents an adjustment to provide taxes at the effective rate.
(5) Reflects the issuance of 850,000 shares of VCA Common Stock for all of the outstanding securities of Pets' Rx.
(6) To reflect the deferred tax benefit related to the writedowns of assets.
See Note (3).
(7) Represents the exchange of the redeemable convertible preferred stock as part of the merger.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

VETERINARY CENTERS OF AMERICA, INC.
(REGISTRANT)

Dated: May 15, 1996 *By: /s/ Tomas W. Fuller*

Tomas W. Fuller
Chief Financial Officer

EXHIBIT INDEX

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report incorporated by reference in this Form 8-K, into the Company's previously filed Registration Statement (File Nos. 33-42504, 33-44622, 33-56846, 33-56848, 33-57768, 33-57770, 33-57772, 33-67588, 33-80212, 333-97682 and 333-00376).

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

San Jose, California
May 10, 1996

Exhibit 23.2
CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectuses constituting part of the Registration Statements on Form S-3 of Veterinary Centers of America, Inc. (No.'s 33-80212, 33-42504, 33-91678, 33-92582, 33- 97682, 33-00324, 33-00376) and the Preliminary Proxy Statement of Veterinary Centers of America, Inc., filed during April 1996, of our report dated September 12, 1995 relating to the financial statements of Pets' Rx, Inc., which appears on page 6 of the Current Report on Form 8-K of Veterinary Centers of America, Inc. dated May 14, 1996.

/s/ Price Waterhouse LLP

PRICE WATERHOUSE LLP
San Jose, California
May 13, 1996

End of Filing