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SECURITIES AND EXCHANGE COMMISSION

REGION S.E.C.

Washington, D. C. 20549

OCT 12 1973

FORM 10-K

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

For the fiscal year ended May 31, 1973 Commission file number 2-35139

COMPREHENSIVE CARE CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)

95-2594724
(I.R.S. EMPLOYER IDENTIFICATION NO.)

3927 Birch Street, Newport Beach, Calif.
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

92660
(ZIP CODE)

Registrant's telephone number, including area code (714) 546-9501

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, Par Value $.10 per share
(TITLE OF CLASS)

(TITLE OF CLASS)

Indicate by check mark whether the registrant (1) has filed all annual, quarterly and other reports required to be filed with the Commission and (2) has been subject to the filing requirements for at least the past 90 days. Yes ✓ No___

Item 1. Business.

(a) Registrant was incorporated in January, 1969 for the purpose of acquiring, constructing and operating health care enterprises, particularly in the acute psychiatric and alcoholic rehabilitation fields. Registrant presently operates (or participates in the operation of) four acute hospitals, two extended care facilities, one intermediate care facility and two board and care facilities. In addition, Registrant manages an alcoholic rehabilitation program in an acute hospital.

The four acute hospitals are Brea Hospital - Neuro-Psychiatric Center (Brea); Fort Worth Neuro-psychiatric Hospital (Fort Worth); Calabasas Hospital - Neuro-Psychiatric Center (Calabasas) and Crossroads Hospital (Crossroads).

Brea is a 125-bed facility located in Brea, California; Fort Worth is a 26-bed facility located in Fort Worth, Texas; Calabasas is a 117-bed facility located in Calabasas, California; and Crossroads is a 33-bed facility located in Van Nuys, California. These hospitals provide treatment for a wide range of psychiatric patients. Calabasas and Crossroads are jointly managed by Registrant and American Psychiatric Hospitals of California, Inc. ("APHI"), a Tennessee corporation, under a joint venture agreement entered into as of November 1, 1972. Under such agreement primary management responsibility for Calabasas is in APHI and primary management responsibility for Crossroads is in Registrant.

Registrant operates two extended care facilities, namely, Terracina Convalescent Hospital (Terracina) and Bay View Convalescent Hospital (Bay View). Terracina is a 73-

bed facility located in Redlands, California; and Bay View is a 70-bed facility located in Costa Mesa, California.

Registrant operates one intermediate care and two board and care facilities, namely, Tustin Manor, Gilmar Manor and Bayview Manor. Tustin Manor is a 90-bed facility located in Tustin, California; Gilmar Manor is a 78-bed facility located in Van Nuys, California; and Bayview Manor is a 70-bed facility located in Costa Mesa, California.

The alcoholic rehabilitation unit which Registrant manages is located in the South Coast Community Hospital in South Laguna, California. Pursuant to a contract with South Coast, Registrant, on a fee per patient per day basis provides treatment for alcoholic patients. Under such contract, South Coast provides routine hospital services such as room, meals and nursing care, and Registrant provides the doctor, psychologist, therapist, etc.

(b) (1) There are hospitals, extended care facilities and board and care facilities in the areas served by Registrant's facilities, some of which are much larger and have greater financial resources than those operated by Registrant. In addition, some of them are owned by governmental agencies and others by non-profit corporations which may be supported by endowments and charitable contributions not available to Registrant.

(2) Not applicable.

(3) Not applicable.

(4) Not applicable.

(5) Not applicable.

(6) As of May 31, 1973 Registrant employed approximately 306 persons.

(c) (1) Registrant operates only one line of business, namely, the operation of health care facilities, as described above.

Item 2. Summary of Operations.

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Item 2. Summary of Operations:

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

CONSOLIDATED SUMMARY OF EARNINGS

	Year ended May 31 1973	1972*	1971*	1970*	Year ended November 30, 1968*
REVENUES:					
Patient care (Note B)	$3,832,000	$2,762,000	$3,224,000	$2,981,000	$1,992,000
Other	52,000	200,000	163,000	37,000	10,000
	3,884,000	2,962,000	3,387,000	3,018,000	2,002,000
COSTS AND EXPENSES:					
Operating	2,775,000	2,466,000	2,272,000	2,060,000	1,521,000
General and administrative	788,000	854,000	621,000	415,000	325,000
Project development and preopening costs (Note C)	13,000	139,000			
Interest	121,000	119,000	122,000	97,000	42,000
Depreciation	92,000	92,000	72,000	61,000	18,000
	3,789,000	3,670,000	3,087,000	2,633,000	1,906,000
EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES ON INCOME AND EXTRAORDINARY ITEMS	95,000	(708,000)	300,000	385,000	96,000
TAXES ON INCOME (CREDIT) (Note D)	44,000	(72,000)	127,000	177,000	48,000
EARNINGS (LOSS) FROM CONTINUING OPERATIONS	51,000	(636,000)	173,000	208,000	48,000
EARNINGS (LOSSES) OF DISCONTINUED OPERATIONS, less applicable taxes on income (Note A)	(14,000)	(547,000)	79,000	56,000	(24,000)
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	37,000	(1,183,000)	252,000	264,000	24,000

*Restated to conform to 1973 classifications.

DISCLOSURE® IF THE ABOVE PAGE IS LESS CLEAR THAN THIS STATEMENT, IT IS DUE TO POOR PHOTOGRAPHIC QUALITY OF THIS DOCUMENT.

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

CONSOLIDATED SUMMARY OF EARNINGS

(Continued)

	Year ended May 31				Year ended November 30,
	1973	1972*	1971*	1970*	1968*
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	$ 37,000	($1,183,000)	$ 252,000	$ 264,000	$ 24,000
EXTRAORDINARY ITEMS:					
Gain on sale of investment, net of related taxes on income of $259,000 (Note F)	473,000				
Write-down of facility, net of related income tax credit of $89,000 (1973) (Note G)	(82,000)	(1,175,000)			
Settlement of litigation and claims and provision for pending litigation and claims, net of related income tax credit of $67,000 (1973) (Note H)	(62,000)	(200,000)			
Income tax reduction obtained by utilization of net operating loss carryforward	123,000			63,000	
Gain on sale of subsidiary, net of related taxes on income of $28,000			57,000		
Termination settlement with a former officer, net of income tax credit of $11,000				(29,000)	
	452,000	(1,375,000)	57,000	34,000	
NET EARNINGS (LOSS)	$ 489,000	($2,558,000)	$ 309,000	$ 298,000	$ 24,000
EARNINGS (LOSS) PER COMMON SHARE (Note E):					
Earnings (loss) from continuing operations	$.06	($ .70)	$.20	$.28	$.10
Earnings (losses) of discontinued operations	(.02)	(.60)	.09	.07	(.05)
Extraordinary items	.49	(1.52)	.06	.05	
Net earnings (loss)	$.53	($2.82)	$.35	$.40	$.05

*Restated to conform to 1973 classifications.

See notes to summary of operations.

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Item 2. Summary of Operations (Continued):

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Convertible preferred stock		Common stock		Additional paid-in capital	Retained earnings (deficit)	Stockholders' equity (deficiency in assets)
	Shares	Amount	Shares	Amount			
BALANCE, December 1, 1967	-	$ -	488,000	$49,000	$ -	$ 54,000	$ 103,000
Net earnings						24,000	24,000
BALANCE, November 30, 1968			488,000	49,000		78,000	127,000
Net loss for the six months ended May 31, 1969						(7,000)	(7,000)
BALANCE, May 31, 1969			488,000	49,000		71,000	120,000
Sale of preferred stock	8,500	850,000					850,000
Issuance of common stock for cash and equipment			15,500	1,000	64,000		65,000
Expenses in connection with acquisition of pooled companies					(40,000)		(40,000)
Net earnings						298,000	298,000
BALANCE, May 31, 1970	8,500	850,000	503,500	50,000	24,000	369,000	1,293,000
Sale of common stock in public offering, less underwriter's commission			134,990	14,000	820,000		834,000
Expenses in connection with sale of stock					(219,000)		(219,000)
Conversion of preferred stock into common	(8,250)	(825,000)	257,812	26,000	799,000		
Stock options exercised			1,400		8,000		8,000
Net earnings						309,000	309,000
BALANCE, May 31, 1971	250	25,000	897,702	90,000	1,432,000	678,000	2,225,000
Net earnings of pooled business for short period excluded from statement of operations						16,000	16,000
Issuance of common stock in connection with:							
Services rendered in connection with arranging financing			7,500	1,000	24,000		25,000
Leasehold costs			5,418	1,000	18,000		19,000
Rental lease advances			4,062		13,000		13,000
Exercise of stock option			2,500		14,000		14,000
Cancellation of shares previously issued			(150)		(1,000)		(1,000)
Net loss						(2,558,000)	(2,558,000)
BALANCE, May 31, 1972	250	25,000	917,032	92,000	1,500,000	(1,864,000)	(247,000)
Cancellation of shares previously issued			(3,350)	(1,000)	(18,000)		(19,000)
Net earnings						489,000	489,000
BALANCE, May 31, 1973	250	$ 25,000	913,682	$91,000	$1,482,000	($1,375,000)	$ 223,000

See notes to summary of operations.

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Item 2. Summary of Operations (Continued):

NOTES TO SUMMARY OF OPERATIONS

Note A - Basis of Accounting:

The consolidated financial statements of the Company include the accounts of its wholly-owned subsidiaries after elimination of material intercompany transactions and balances.

The consolidated financial statements for the year ended May 31, 1971, include the financial statements of Fort Worth Neuro-Psychiatric Hospital, Inc., a subsidiary acquired in March 1971, for the year ended March 31, 1971. Accordingly, the net income for the two months ended May 31, 1971, of $16,000 which has not been included in the consolidated statement of operations for the year ended May 31, 1972 or 1971, has been credited to retained earnings (deficit).

The net earnings (losses) from discontinued operations have been segregated in the consolidated summary of operations. The revenues and net earnings (losses) from these operations are summarized as follows:

	Year ended May 31				Year ended November 30,
	1973	1972	1971	1970	1968
Revenues	$440,000	$1,711,000	$1,450,000	$1,537,000	$773,000
Net earnings (losses)	($ 14,000)	($ 547,000)	$ 79,000	$ 56,000	($ 24,000)

Note B - Revenue from Patient Care:

Revenue from patient care includes amounts collected under Medicare, Blue Cross and Medi-Cal programs. Revenues have been reduced by the difference between the actual billing and the estimated amounts which will be realized under the cost reimbursement principles of the program. Allowable revenue under the programs is determined annually by fiscal intermediaries administering the programs based on cost reports filed by the Company. The Company is current with the filing of such cost reports; however, certain cost reports have not been audited by the intermediaries and other audited reports are under appeal by the Company. The Company believes that adequate reserves have been provided in the financial statements for these contingencies.

During 1973, audits, retroactive rate increases and other adjustments resulted in increased revenues relating to prior years of approximately $144,000. During the prior year, audits resulted in decreased revenues relating to prior years of approximately $330,000.

Note C - Project Development and Preopening Costs:

In years prior to 1972, project development and preopening costs incurred in connection with opening new hospitals, were deferred and amortized over five and three years, respectively, commencing with the fiscal year following the year in which the facilities became operational.

The Company reconsidered its policy of accounting for these costs, acknowledging the current trends in financial reporting. In negotiations which culminated in the sale of Raleigh Hills Hospital, Inc., it became apparent that the deferral of such costs is discouraged by the investment community. The Company elected therefore to change its method of accounting for such costs and adopted the policy of charging these costs to expense at the time they are incurred.

Item 2. Summary of Operations (Continued):

NOTES TO SUMMARY OF OPERATIONS

(Continued)

The project development and preopening costs expensed at May 31, 1972, were incurred as follows:

Year ended May 31		Applicable to	
		Continuing operations	Discontinued operations
1970	$ 39,000	$ 10,000	$ 29,000
1971	275,000	55,000	220,000
1972	212,000	74,000	138,000
	$526,000	$139,000	$387,000

Note D - Taxes on Income:

The Company and its subsidiaries file consolidated corporate income tax returns. Prior to May 31, 1972, separate corporate income tax returns were filed.

In prior years, project development and preopening costs were deducted in the period incurred for income tax purposes. These costs were deferred for financial reporting purposes and accordingly the financial statements reflected deferred taxes on income. During the year ended May 31, 1972, the Company changed its accounting policy for project development and preopening costs (see Note C) eliminating the necessity for the deferred taxes on income previously provided. The provision for taxes on income in 1971 included deferred taxes of $101,000, and the tax credit in 1972 included a reversal of deferred taxes for $101,000.

The provision (credit) for current and deferred taxes on income is summarized as follows:

	Year ended May 31				Year ended November 30,
	1973	1972	1971	1970	1968
Current	$ -	($ 89,000)	$ 73,000	$237,000	$69,000
Deferred		(101,000)	101,000		
	$ -	($190,000)	$174,000	$237,000	$69,000

Above amounts reflect net tax provision (credit) distributed to earnings (loss) from continuing operations, earnings (losses) of discontinued operations and extraordinary items.

The Company and its subsidiaries have income tax loss carryforwards of approximately $1,800,000 available over the next four years to offset any future taxable income. The above carryforward amount includes certain loss provisions made for financial statement purposes which will be deductible for income tax purposes in future years.

Investment credits, which were not significant, are used as a reduction of the provision for income taxes under the flow-through method.

Note E - Earnings per Share:

Earnings (loss) per common share are based on the weighted average number of common shares outstanding during each year, adjusted to give effect to (1) common shares issued in connection with poolings of interests and (2) common share equivalents related to the conversion of the preferred stock (1970, 1971 and 1973). In 1972, these shares would be antidilutive.

	Average outstanding common shares and common share equivalents
1968	488,000
1970	752,390
1971	873,595
1972	907,958
1973	923,194

Item 2. Summary of Operations (Continued):

NOTES TO SUMMARY OF OPERATIONS

(Continued)

The dilutive effect of outstanding stock warrants and options was not significant for years prior to 1972. In 1972 and 1973, the effect of stock warrants and options is antidilutive.

No cash dividends have been paid.

Note F - Gain on Sale of Investment:

On June 1, 1972, the common stock of Raleigh Hills Hospital, Inc., a wholly-owned subsidiary of the Company, was exchanged for common stock of Advanced Health Systems, Inc. Subsequently, the Company sold all of their shares of Advanced Health Systems, Inc. for cash and cancellation of debt. The Company has a five-year option to repurchase the stock.

Note G - Write-down of Facility:

The Company was not successful in leasing, selling or reopening the Alta Mesa Convalescent Hospital which was closed in February 1971, as the result of earthquake damage. Foreclosure proceedings have been finalized by a trust deed holder and the property has been sold. Accordingly, the property and related liabilities have been eliminated from the books.

During the year ended May 31, 1972, the facility was written down to estimated net realizable value as follows:

Excess of cost over related net assets acquired attributable to Alta Mesa	$ 400,000
Modification, repairs and maintenance of building and grounds	353,000
Provision for write-down of property, plant and equipment	200,000
Other	222,000
	$1,175,000

The property was written down additionally during the year ended May 31, 1973, as follows:

Provision for estimated settlement of claim relative to second trust deed and related legal expense	$ 151,000
Other	20,000
	171,000
Less applicable income tax credit	89,000
	$ 82,000

Item 2. Summary of Operations (Continued):

NOTES TO SUMMARY OF OPERATIONS

(Continued)

Note H - Settlement of Litigation and Claims and Provision for Pending Litigation and Claims:

Several lawsuits and claims have been filed against the Company. During the year, certain lawsuits and claims have been settled. Subsequent to May 31, 1973, claims have been settled in the following amounts and terms:

Cash payment made in June 1973	$ 45,000
Note bearing interest at 8%, payable in quarterly installments commencing October 1, 1973, until March 1, 1981	30,000
Notes bearing interest at 8-1/2%, payable in quarterly installments commencing October 1, 1973, until July 1, 1981	105,000
	$180,000

In the opinion of management, adequate provision has been made for remaining litigation and claims.

Item 2. Summary of Operations (Continued):

The summary of operations reflects net earnings of $489,000 for the fiscal year ended May 31, 1973, as compared to a net loss of $2,558,000 for the fiscal year ended May 31, 1972. Such differences between the two years are summarized in the following tabulations:

Fiscal year ended May 31, 1973:

	Earnings (loss)
1. Gain on sale of investment in Advanced Health Systems, Inc.	$ 732,000
2. Additional writedown of Alta Mesa Convalescent Hospital (previously written down in fiscal 1972)	(171,000)
3. Settlement of litigation and claims and provision for pending litigation and claims	(129,000)
4. Increase in revenue due to retroactive Medi-Cal rate increases and Medicare and Blue Cross adjustments as a result of audits for the prior year	144,000
5. Reduction in operating losses of operations commencing in fiscal 1972:	
Calabasas Psychiatric Hospital (transferred to a joint venture November 1, 1972)	(29,000)
Raleigh Hills Alcoholic Hospital (sold to Advanced Health Systems, Inc. June 1, 1972)	-
Bayview Manor Residential Home	(63,000)
6. Other, net	5,000
	$ 489,000

Fiscal year ended May 31, 1972:

	Loss
1. Write-down of the carrying value of the Alta Mesa Convalescent Hospital as the result of earthquake damage to the facility	$1,175,000
2. Change in accounting method whereby project development and preopening costs are written off in the year incurred rather than deferred and amortized over five- and three-year periods respectively	526,000
3. Provision of a reserve for pending litigation	200,000

Item 2. Summary of Operations (Continued):

4.	Reduction in revenues as a result of retroactive adjustments for prior years by Medicare, Medi-Cal and Blue Cross	$ 330,000
5.	Start-up costs resulting in losses relative to:	
	Calabasas Psychiatric Hospital	272,000
	Raleigh Hills Alcoholic Hospital	56,000
	Bayview Manor Residential Home	63,000
6.	Income tax credits	(190,000)
7.	Operating losses resulting from lower patient census levels	126,000
		$2,558,000

Item 3. Properties.

Registrant's executive offices are located in an office building in Newport Beach, California. They consist of approximately 4,200 square feet and are leased at $1,070 per month under a lease which expires on November 30, 1973. Registrant owns Bay View Convalescent Hospital and Gilmar Manor. All of Registrant's other health care facilities are operated under leases. The following table sets forth by facility the addresses of the facilities, the dates the leases expire and the monthly rental payable thereunder.

Facility and Address	Lease Expires	Monthly Rental*
Brea Hospital - Neuro-Psychiatric Center 875 North Brea Blvd. Brea, Calif. 92621	1986	$11,560
Fort Worth Neuro-psychiatric Hospital 1066 West Magnolia Fort Worth, Texas 76104	1996	3,792
Calabasas Hospital - Neuro-Psychiatric Center 25100 Calabasas Road Calabasas, Calif. 92373	1996	14,800 (1)
Crossroads Hospital 6305 Woodman Avenue Van Nuys, California	1987	5,396
Terracina Convalescent Hospital 1620 West Fern Avenue Redlands, Calif. 92373	1986	4,446
Tustin Manor 1051 Bryan Tustin, Calif. 92680	1995	6,000
Bayview Manor 350 Bay Street Costa Mesa, Calif. 92627	1996	4,375

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* Subject to increase every five years based upon increases in the Consumer Price Index published by the U. S. Department of Labor, Bureau of Labor Statistics.

(1) This amount is reimbursable to the Registrant under provisions of a joint venture agreement (See Item 1).

Prior to December 1972, Registrant also owned Alta-Mesa Convalescent Hospital, a 230-bed facility located in Sylmar, California. This facility was badly damaged in the February 9, 1971 earthquake and was never reopened by Registrant. In December 1972, the holder of the first deed of trust which encumbered the property sold such property in a foreclosure proceeding and Registrant's interest therein was terminated.

Item 4. Parents and Subsidiaries.

Registrant has no parents. The following is a list of all subsidiaries of Registrant setting forth as to each subsidiary the percentage of voting securities owned, or other basis of control, by its parent:

Company	State of Incorporation	Percentage of Voting Securities Owned
NPHS, Inc.*	California	100%
Terracina Convalescent Hospital*	California	100%
Fort Worth Neuro-psychiatric Hospital, Inc.*	Texas	100%

Item 5. Pending Legal Proceedings.

Los Alamitos.

On or about October 9, 1971, Sarabeth M. Davis and J. R. Slatton, Sr., filed a Complaint in the Superior Court of the State of California for the County of Orange (No. 187015) for damages for breach of contract and for tortious interference against Registrant and Julius Griffin, Donald W. Wright, John Y. Chu and Michael Cosenza, the latter being directors and or officers of Registrant.

* Subsidiaries included in consolidated financial statement.

On April 30, 1971, Plaintiffs and Registrant executed a lease agreement wherein Plaintiffs agreed to construct a psychiatric hospital in Los Alamitos and Registrant would lease it commencing not later than January 15, 1972. As of September 27, 1971, Plaintiffs had not yet completed the purchase of the hospital site or commenced construction of the hospital and Registrant then informed Plaintiffs that due to their apparent inability to perform, Registrant was terminating the agreement. Plaintiffs allege that such termination constituted an anticipatory breach of contract and resulted in damages to them of approximately $1,500,000.

In addition, TRI-COR, Inc., a construction company owned in part by Plaintiffs cross-complained against Registrant for damages from breach of a contract to construct the facility together with costs incurred in connection therewith, in the aggregate amount of approximately $200,000.

In June 1973 the action was dismissed as to all parties pursuant to a settlement under which Registrant paid defendants $45,000 in cash and gave them its promissory notes for $135,000, which bear interest at either 8% or 8-1/2% and are payable in quarterly installments over periods ranging from 7-1/2 to 10 years.

<u>Calabasas</u>.

On or about November 27, 1971, Calabasas Hospital Limited Partnership, filed a Complaint in the Superior Court of the State of California for the County of Los Angeles (No. NWC 30725) for unlawful detainer against Registrant, pursuant to which plaintiff is seeking to evict Registrant from Calabasas, which is operated under a joint venture agreement with American Psychiatric Hospitals of California.

See "Item 1--Business." The plaintiff in the action is the lessor of the hospital pursuant to a 25-year Lease Agreement with Registrant which runs through 1995. Except for attorneys' fees and costs (and the agreed rent) there is presently no claim for monetary damages. The alleged grounds for the right to terminate the Lease Agreement include a purported assignment to the joint venture in violation of the Lease Agreement and certain alterations to the hospital which are alleged to have been made without the lessor's required consent and in violation of permit requirements.

Item 6. Increases and decreases in outstanding securities.

Preferred stock - shares outstanding at June 1, 1972 and at May 31, 1973: 250

Common stock - shares outstanding at June 1, 1972: 942,550

(a) Increases and decreases during fiscal year:

(1) Jan. 1973	Cancellation upon foreclosure of note received upon exercise of qualified stock option	(3,350)
(2) Mar. 1973	Cancellation upon termination of agreement pursuant to which shares had been placed in escrow pending certain financing transactions	(25,518)
	Shares outstanding at May 31, 1973	913,682

Warrants - outstanding at June 1, 1972 and at May 31, 1973 25,561

Item 7. Approximate number of equity security holders.

Title of Class	Number of Record Holders as of May 31, 1973
Common Stock, par value $.10 per share	565
Preferred Stock, par value $100 per share	1

Item 8. Executive Officers of the Registrant.

Name	Office	Age
B. Lee Karns	President	43
A. Joel 'lein	Vice-President	33
Leon G. .an Luchene	Vice-President and Corporate Controller	41
Lec ıard Lowe	Vice-President, Secretary and Treasurer	43

.Io family relationships exist between any of the above named officers of the Registrant.

Item 9. Indemnification of Directors and Officers.

Section 145 of the General Corporation Law of the State of Delaware, Registrant's State of incorporation, provides, among other things, that a corporation may indemnify an officer or director against expenses, fees (including attorneys' fees), judgments, and amounts paid in settlement, actually and reasonably incurred by such officer or director in connection with any civil, criminal, administrative or investigative action, suit or proceeding (other than an action brought by or in the right of the corporation) if such officer or director was named in such action, suit or proceeding by reason of the fact that he was such a director or officer of the corporation and if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, he had no reasonable cause to believe his conduct was unlawful.

A corporation may also indemnify an officer or director against expenses (including attorneys' fees) reasonably incurred in connection with the defense or settlement of any action or suit brought by or in the right of the corporation, except that no indemnification may be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in performance of his duty to the corporation unless the court shall determine that such person is fairly and reasonably entitled to indemnity for such expenses.

In addition to the foregoing, to the extent that a director or officer is successful on the merits or otherwise in the defense of any action, suit or proceeding referred to above, or in defense of any claim, issue or matter therein he may be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Except in the case where an officer or director has been successful in his defense of an action or any claim, issue or matter therein, the determination as to whether any such officer or director shall be indemnified shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who are not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independant legal counsel in a written opinion, or (3) by the stockholders.

Other provisions of section 145 provide that, upon the meeting of certain conditions, expenses of an officer or director may be paid prior to final disposition of the action; that indemnification provided by the statute shall not be deemed the exclusive of any other rights which said officer or director may have; that the corporation may purchase and maintain insurance on behalf of any such officer or director; and that the provisions of said section apply to constituent corporations.

Item 10. Financial Statements and Exhibits Filed.

(a) The Index to Financial Statements and Schedules appearing on page S-1 of Exhibit 10 hereto, is a list of all financial statements filed as a part of this report.

(b) Exhibits.

None.

PART II

Omitted. Registrant will file within 120 days from May 31, 1973, proxy material with respect to its Annual Meeting covering its fiscal year ended May 31, 1973.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMPREHENSIVE CARE CORPORATION

B Lee Karns

B. Lee Karns, President

DATED: October 10, 1973

TOUCHE ROSS & CO.

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

FINANCIAL STATEMENTS AND SCHEDULES COMPRISING ITEM 10(a)

OF ANNUAL REPORT ON FORM 10-K

TO SECURITIES AND EXCHANGE COMMISSION

YEAR ENDED MAY 31, 1973

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

FINANCIAL STATEMENTS AND SCHEDULES

TWO YEARS ENDED MAY 31, 1973

INDEX

All other schedules are omitted because they are inapplicable, not required under the instructions or the information is included in the financial statements or notes thereto.

TOUCHE ROSS & CO.

3700 WILSHIRE BOULEVARD
LOS ANGELES, CALIFORNIA 90010
July 28, 1973

Board of Directors
Comprehensive Care Corporation
Newport Beach, California

We have examined the balance sheet of Comprehensive Care Corporation and the consolidated balance sheet of Comprehensive Care Corporation and subsidiaries as of May 31, 1973 and 1972, and the related statements of earnings, stockholders' equity and changes in financial position for the years then ended and the additional notes and schedules listed in the accompanying index. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Company sustained significant losses from operations in the year ended May 31, 1972, and operated at a nominal operating profit for the year ended May 31, 1973. The future of the Company as a going concern is dependent upon continuation of profitable operations.

In our opinion, subject to continuation of profitable operations, the aforementioned financial statements present fairly the financial position of Comprehensive Care Corporation and the consolidated financial position of the Company and subsidiaries at May 31, 1973 and 1972, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. Further, in our opinion, subject to continuation of profitable operations, the additional notes and schedules present fairly the information therein set forth.

Touche Ross & Co.

Certified Public Accountants

TOUCHE ROSS & CO.

3700 WILSHIRE BOULEVARD
LOS ANGELES, CALIFORNIA 90010

July 28, 1973

Management Committee
Neuro Affiliates Company
Calabasas, California

We have examined the balance sheet of Neuro Affiliates Company as of May 31, 1973, and the related statements of operations and changes in financial position for the seven months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of Neuro Affiliates Company at May 31, 1973, and the results of its operations and the changes in its financial position for the seven months then ended, in conformity with generally accepted accounting principles.

Touche Ross & Co.

Certified Public Accountants

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	May 31 1973	May 31 1972
ASSETS		
CURRENT ASSETS:		
Cash	$ 62,000	$ 289,000
Accounts receivable, less allowance for doubtful accounts of $135,000 (1973) and $203,000 (1972), assigned as collateral to note payable of $47,000 (1972) (Note 11 and Schedule XII)	616,000	884,000
Prepaid expenses and supplies	161,000	293,000
TOTAL CURRENT ASSETS	839,000	1,466,000
OTHER ASSETS:		
Notes receivable	239,000	252,000
Investment in a joint venture (Note 8 and Schedule III)	31,000	
Other	52,000	151,000
	322,000	403,000
PROPERTY, PLANT AND EQUIPMENT, at cost, substantially pledged (Notes 1, 3 and 12 and Schedules V and VI):		
Land	216,000	616,000
Buildings and improvements	658,000	1,328,000
Furniture and equipment	589,000	1,237,000
Leasehold improvements	174,000	357,000
	1,637,000	3,538,000
Less:		
Accumulated depreciation and amortization	362,000	406,000
Reserve for write-down of closed facility		200,000
	1,275,000	2,932,000
LEASE ACQUISITION COSTS (Note 1 and Schedule VII)	391,000	420,000
COST IN EXCESS OF NET ASSETS OF PURCHASED BUSINESSES (Note 1 and Schedule VII)	517,000	517,000
	$3,344,000	$5,738,000
LIABILITIES		
CURRENT LIABILITIES:		
Notes payable	$ -	$ 76,000
Accounts payable and accrued expenses (Note 14)	567,000	1,253,000
Estimated amounts due under insurance programs (Note 2)	489,000	631,000
Current portion of long-term debt (Note 3)	112,000	183,000
TOTAL CURRENT LIABILITIES	1,168,000	2,143,000
DEFERRED GAIN ON SALE AND LEASEBACK OF PROPERTY (Note 1)	167,000	391,000
INDEBTEDNESS RELATED TO CLOSED FACILITY (Note 9)		1,152,000
RESERVE FOR LITIGATION AND CLAIMS (Note 10)	440,000	200,000
LONG-TERM DEBT, less portion due within one year included in current liabilities (Note 3)	1,346,000	2,099,000
TOTAL LIABILITIES	3,121,000	5,985,000
COMMITMENTS AND CONTINGENCIES (Notes 4 and 10)		
STOCKHOLDERS' EQUITY (DEFICIENCY IN ASSETS) (NOTES 5 AND 6)		
CONVERTIBLE PREFERRED STOCK, par value $100 a share; authorized, 250 shares; issued and outstanding, 250 shares	25,000	25,000
COMMON STOCK, par value $.10 a share; authorized, 2,000,000 shares; issued and outstanding, 913,682 shares (1973) and 917,032 shares (1972)	91,000	92,000
ADDITIONAL PAID-IN CAPITAL	1,482,000	1,500,000
DEFICIT	(1,375,000)	(1,864,000)
	223,000	(247,000)
	$3,344,000	$5,738,000

See notes to financial statements.

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS

	Year Ended May 31 1973	1972*
REVENUES:		
Patient care (Note 2)	$3,832,000	$2,762,000
Other	52,000	200,000
	3,884,000	2,962,000
COSTS AND EXPENSES:		
Operating	2,867,000	2,558,000
General and administrative	788,000	854,000
Project development and preopening costs (Note 7)	13,000	139,000
Interest	121,000	119,000
	3,789,000	3,670,000
EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES ON INCOME AND EXTRAORDINARY ITEMS	95,000	(708,000)
TAXES ON INCOME (CREDIT)	44,000	(72,000)
EARNINGS (LOSS) FROM CONTINUING OPERATIONS	51,000	(636,000)
LOSSES OF DISCONTINUED OPERATIONS, net of related income tax credits of $15,000 (1973) and $118,000 (1972) (Note 8)	(14,000)	(547,000)
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	37,000	(1,183,000)
EXTRAORDINARY ITEMS:		
Gain on sale of investment, net of related taxes on income of $259,000 (Note 8)	473,000	
Write-down of facility, net of related income tax credit of $89,000 (1973) (Note 9)	(82,000)	(1,175,000)
Settlement of litigation and claims and provision for pending litigation and claims, net of related income tax credit of $67,000 (1973) (Note 10)	(62,000)	(200,000)
Income tax reduction obtained by utilization of net operating loss carryforward (Note 1)	123,000	
	452,000	(1,375,000)
NET EARNINGS (LOSS)	$ 489,000	($2,558,000)
EARNINGS (LOSS) PER COMMON SHARE (Note 1):		
Earnings (loss) from continuing operations	$.06	($ .70)
Losses of discontinued operations	(.02)	(.60)
Extraordinary items	.49	(1.52)
Net earnings (loss)	$.53	($2.82)

*Restated to conform to 1973 classifications.

See notes to financial statements.

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COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Convertible preferred stock		Common stock		Additional paid-in capital	Retained earnings (deficit)	Stockholders' equity (deficiency in assets)
	Shares	Amount	Shares	Amount			
BALANCE, June 1, 1971	250	$25,000	897,702	$90,000	$1,432,000	$ 678,000	$2,225,000
Net earnings of pooled business for short period excluded from statement of operations						16,000	16,000
Issuance of common stock in connection with:							
Services rendered in connection with arranging financing			7,500	1,000	24,000		25,000
Leasehold costs			5,418	1,000	18,000		19,000
Rental lease advances			4,062		13,000		13,000
Exercise of stock options			2,500		14,000		14,000
Cancellation of shares previously issued			(150)		(1,000)		(1,000)
Net loss						(2,558,000)	(2,558,000)
BALANCE, May 31, 1972	250	25,000	917,032	92,000	1,500,000	(1,864,000)	(247,000)
Cancellations of shares previously issued			(3,350)	(1,000)	(18,000)		(19,000)
Net earnings						489,000	489,000
BALANCE, May 31, 1973	250	$25,000	913,682	$91,000	$1,482,000	($1,375,000)	$ 223,000

See notes to financial statements.

TOUCHE ROSS & CO.

DISCLOSURE® IF THE ABOVE PAGE IS LESS CLEAR THAN THIS STATEMENT, IT IS DUE TO POOR PHOTOGRAPHIC QUALITY OF THIS DOCUMENT.

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended May 31 1973	1972
SOURCE OF FUNDS:		
Operations:		
Earnings (loss) exclusive of extraordinary items	$ 37,000	($1,183,000)
Items not requiring outlay of working capital:		
Depreciation and amortization	123,000	152,000
Project development and preopening costs deferred prior to June 1, 1971		314,000
Deferred taxes on income (decrease)		(101,000)
Net income of pooled business for short period excluded from statement of operations		16,000
Reclassification of construction in progress		123,000
Funds provided from (used in) operations exclusive of extraordinary items	160,000	(679,000)
Extraordinary items	452,000	(1,175,000)
Items not requiring outlay of working capital	122,000	600,000
	574,000	(575,000)
Funds provided from (used in) operations including extraordinary items	734,000	(1,254,000)
Sales, retirement and abandonment of property, plant and equipment	1,581,000	582,000
Book value of investment sold	116,000	
Addition to long-term debt	69,000	1,215,000
Stock options exercised and other issuance of common stock		70,000
Decrease in notes receivable	13,000	
Decrease in deferred costs, deposits and other assets	84,000	
TOTAL FUNDS PROVIDED	$2,597,000	$ 613,000

See notes to financial statements.

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(Continued)

	Year ended May 31 1973	1972
APPLICATION OF FUNDS:		
Decrease in long-term debt:		
Payments	$ 512,000	$ 602,000
Debt related to property foreclosed	1,152,000	
Debt assumed by joint venture and other	291,000	
Purchase of property, plant and equipment	25,000	662,000
Decrease in deferred gain on sale and leaseback of property	217,000	
Investment in a joint venture	31,000	
Lease acquisition costs		29,000
Cancellation of common stock previously issued	19,000	
Other	2,000	46,000
Increase (decrease) in working capital	348,000	(726,000)
TOTAL FUNDS USED	$2,597,000	$ 613,000
SUMMARY OF INCREASES (DECREASES) IN WORKING CAPITAL:		
Current assets:		
Cash	($ 227,000)	($ 239,000)
Accounts receivable	(268,000)	106,000
Prepaid expenses and supplies	(132,000)	102,000
	(627,000)	(31,000)
Current liabilities:		
Notes payable	(76,000)	(56,000)
Accounts payable and accrued expenses	(686,000)	628,000
Taxes on income		(110,000)
Estimated amounts due under insurance programs	(142,000)	333,000
Current portion of long-term debt	(71,000)	(100,000)
	(975,000)	695,000
INCREASE (DECREASE) IN WORKING CAPITAL	$ 348,000	($ 726,000)

See notes to financial statements.

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

TWO YEARS ENDED MAY 31, 1973

Note 1 - Summary of Significant Accounting Principles

Consolidation

The consolidated financial statements of the Company include the accounts of its wholly-owned subsidiaries after elimination of material intercompany transactions and balances.

Depreciation Policy

The cost of buildings, equipment and leasehold improvements is depreciated or amortized over the estimated useful lives of the assets, using the straight-line method of depreciation.

Lease Acquisition Costs

Lease acquisition costs incurred in obtaining long-term leases of hospital facilities are amortized over the term of the leases which expire from 1986 to 1997.

Project Development and Preopening Costs

Project development and preopening costs incurred in connection with opening new hospitals are charged to expense at the time they are incurred. This policy was adopted in fiscal 1972. Prior to this, project development and preopening costs were deferred and amortized over five and three years respectively. (See Note 7.)

Cost in Excess of Net Assets of Purchased Businesses

Cost in excess of net assets of purchased businesses is not being amortized, since, in the opinion of management, there has been no diminution in the value of these businesses.

During the year ended May 31, 1972, the Company wrote off $400,000 of cost in excess of net assets purchased related to a facility that ceased operations in February 1971, due to earthquake damage.

Income Taxes

The Company and its subsidiaries file consolidated corporate income tax returns. Prior to May 31, 1972, separate corporate income tax returns were filed.

The Company and its subsidiaries have income tax loss carryforwards of approximately $1,800,000 available over the next four years to offset any future taxable income. The above carryforward amount includes certain loss provisions made for financial statement purposes which will be deductible for income tax purposes in future years.

Investment credits, which were not significant, are used as a reduction of the provision for income taxes under the flow-through method.

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

TWO YEARS ENDED MAY 31, 1973

(Continued)

Deferred Gain on Sale and Leaseback of Property

During the year ended May 31, 1972, the Company sold and leased back two of its facilities. The gains realized on the transactions are amortized over the 25-year term of the related leases, partially offsetting rent and leasehold costs.

During the year ended May 31, 1973, the deferred gain relating to one of the above facilities was eliminated in connection with the sale of that facility.

Earnings (Loss) Per Common Share

Earnings (loss) per common share are based on the weighted average number of common shares outstanding each year. Earnings per common share for 1973 were adjusted to give effect to common share equivalents related to conversion rights of the preferred stock. Common share equivalents were not reflected in computation of loss per common share for 1972 since the result would be antidilutive. Stock options and warrants outstanding are not dilutive at May 31, 1973 or 1972.

Change in Name of Company

During 1973, the Company changed its name from Neuro-Psychiatric & Health Services, Inc. to Comprehensive Care Corporation. The new name more appropriately describes the present configuration of the Company's activities which include operation of psychiatric hospitals, alcoholic rehabilitation centers, convalescent hospitals, an intermediate care facility, and board and care facilities.

Note 2 - Estimated Amounts Due Under Insurance Programs

A substantial amount of the revenue of the Company is provided under federal, state and Blue Cross insurance programs. Allowable revenue under the programs is determined annually by fiscal intermediaries administering the programs based on cost reports filed by the Company. The Company is current with the filing of such cost reports; however, certain cost reports have not been audited by the intermediaries and other audited reports are under appeal by the Company. The Company believes that adequate reserves have been provided in the financial statements for these contingencies.

During 1973, audits, retroactive rate increases and other adjustments resulted in increased revenues relating to prior years of approximately $144,000. During the prior year, audits resulted in decreased revenues relating to prior years of approximately $330,000.

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

TWO YEARS ENDED MAY 31, 1973

(Continued)

Note 3 - Long-term Debt:

Long-term debt is summarized as follows:

	May 31 1973	May 31 1972
6-1/2% to 10% notes collateralized by trust deeds, due in installments with maturity dates from 1980 through 1993	$ 662,000	$ 700,000
Notes and conditional sales contracts collateralized by equipment, less financing charge included in face amount of notes of $49,000 (1973) and $171,000 (1972)	360,000	621,000
Note collateralized by 245,000 shares of common stock of Advanced Health Systems, Inc. (see Note 8)		500,000
Note payable to Small Business Administration, unsecured, with interest at 3% (1973), 5-1/8% (1972) due in installments through 2002	347,000	349,000
Unsecured note, less financing charge of $6,000 included in face amount of note, payable in quarterly installments through January 1976	58,000	
Noninterest bearing notes payable to stockholders and others	31,000	95,000
5% notes payable to insurance companies		17,000
	1,458,000	2,282,000
Less portion due within one year	112,000	183,000
	$1,346,000	$2,099,000

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

TWO YEARS ENDED MAY 31, 1973

(Continued)

The approximate annual maturities of long-term debt for the five years ending May 31, 1978, are as follows:

1974	$112,000
1975	$115,000
1976	$100,000
1977	$ 67,000
1978	$ 68,000

Note 4 - Commitments:

Minimum annual rentals under real property leases expiring at various dates to 1997 are $554,000 (1974), $543,000 (1975-1986), $417,000 (1987), $348,000 (1988-1995), $300,000 (1996) and $40,000 (1997). The above commitments include $178,000 annual rent payable through 1996 which is reimbursable to the Company under provisions of a joint venture agreement.

Note 5 - Preferred Stock:

The rights and preferences of the preferred stock provide that the holders shall not be entitled to receive any dividends. The Company may at any time after June 15, 1974, redeem all but not less than all of the then outstanding preferred shares at the redemption price of $100 per share. Each holder of shares shall have the right any time to convert each such share into 31.25 shares of common stock. Other provisions of the preferred stock concern preference in liquidation, voting rights, election of directors and issuance of new or additional preferred shares.

Note 6 - Common Stock:

Under the Stock Option Plan approved by stockholders in 1969, options have been granted to key employees to purchase common stock of the Company at prices of not less than 100% of the fair market value at date of grant. The options become exercisable in varying installments and must be exercised not later than five years from date of grant.

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

TWO YEARS ENDED MAY 31, 1973

(Continued)

Transactions during the year under the plan are summarized below:

	Shares available for option	Shares under option: Number of shares	Shares under option: Option price per share
Balance at May 31, 1972	36,400	19,700	$3.50 - $6.50
Options granted	(49,900)	49,900	$1.75 - $2.75
Options cancelled	15,600	(12,100)	$5.50 - $6.50
Balance at May 31, 1973	2,100	57,500	$1.75 - $6.50
Options exercisable at May 31, 1973		13,850	$2.75 - $6.50

At May 31, 1973, the Company had warrants outstanding to purchase 25,561 shares of common stock at prices ranging from $5.60 to $11.00 per share.

Note 7 - Project Development and Preopening Costs:

During the year ended May 31, 1972, the Company changed its policy with respect to accounting treatment of project development and preopening costs (see Note 1).

The project development and preopening costs expensed at May 31, 1972, were incurred as follows:

Year ended May 31,		Applicable to: Continuing operations	Applicable to: Discontinued operations
1970	$ 39,000	$ 10,000	$ 29,000
1971	275,000	55,000	220,000
1972	212,000	74,000	138,000
	$526,000	$139,000	$387,000

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

TWO YEARS ENDED MAY 31, 1973

(Continued)

Note 8 - Sale and Transfer of Facilities:

On June 1, 1972, the common stock of Raleigh Hills Hospital, Inc., a wholly-owned subsidiary of the Company, was exchanged for common stock of Advanced Health Systems, Inc. Subsequently, the Company sold all of their shares of Advanced Health Systems, Inc. for cash and cancellation of debt. The Company has a five-year option to repurchase the stock.

On November 1, 1972, the Company entered into a joint venture agreement with Hospital Affiliates, Inc. (HAI) of Nashville, Tennessee. In accordance with the agreement, certain assets and liabilities were transferred by Calabasas Hospital Neuro-Psychiatric Center (Company) and Woodview Psychiatric Hospital (HAI) to Neuro Affiliates Company, the joint venture partnership. The operations of Woodview were merged into the operations of Calabasas. The combined operations are being managed by HAI. After refurbishing of the Woodview facility, the hospital was reopened in February 1973, and is being managed by the Company. The two companies will share equally in the results of operations from the joint venture.

At May 31, 1973, the financial position of the joint venture is summarized as follows:

Working capital (deficiency)	($ 46,000)
Total assets	$512,000
Partners' equity	$ 61,000

The above figures differ from the amounts shown in the balance sheet of Neuro Affiliates Company because of reclassifications of amounts due affiliated companies and long-term debt.

Operations for the seven months ended May 31, 1973, resulted in a loss of $16,000. The Company's share of the loss has been reflected as a reduction of other income.

The consolidated statement of earnings for the year ended May 31, 1972, has been restated to reflect the results of operations of the facilities sold and transferred under the caption, "Loss From Discontinued Operations," and consists of the following:

	Net revenues restated	Net losses
Raleigh Hills Hospital, Inc.	$1,006,000	$280,000
Calabasas Hospital Neuro-Psychiatric Center	705,000	385,000
	$1,711,000	665,000
Less applicable income tax credits		118,000
		$547,000

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

TWO YEARS ENDED MAY 31, 1973

(Continued)

Operations of Calabasas for the five months ended October 31, 1972, resulted in a loss (after tax credit of $15,000) of $14,000.

Note 9 - Write Down of Facility:

The Company was not successful in leasing, selling or reopening the Alta Mesa Convalescent Hospital which was closed in February 1971, as the result of earthquake damage. Foreclosure proceedings have been finalized by a trust deed holder and the property has been sold. Accordingly, the property and related liabilities have been eliminated from the books.

During the year ended May 31, 1972, the facility was written down to estimated net realizable value as follows:

Excess of cost over related net assets acquired attributable to Alta Mesa	$ 400,000
Modification, repairs and maintenance of building and grounds	353,000
Provision for write-down of property, plant and equipment	200,000
Other	222,000
	$1,175,000

The property was written down additionally during the year ended May 31, 1973, as follows:

Provision for estimated settlement of claim relative to second trust deed and related legal expense	$ 151,000
Other	20,000
	171,000
Less applicable income tax credit	89,000
	$ 82,000

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

TWO YEARS ENDED MAY 31, 1973

(Continued)

Note 10 - Settlement of Litigation and Claims and Provision for Pending Litigation and Claims:

Several lawsuits and claims have been filed against the Company. During the year, certain lawsuits and claims have been settled. Subsequent to May 31, 1973, claims have been settled in the following amounts and terms:

Cash payments made in June 1973	$ 45,000
Note bearing interest at 8% payable in quarterly installments commencing October 1, 1973, until March 1, 1981	30,000
Notes bearing interest at 8-1/2% payable in quarterly installments commencing October 1, 1973, until July 1, 19[illegible]3	105,000
	$180,000

In the opinion of management, adequate provision has been made for remaining litigation and claims.

Note 11 - Subsequent Events:

In June 1973, the Company obtained a line of credit for $250,000. Funds will be drawn as required, primarily to liquidate settlements of lawsuits and claims. The loans are secured by accounts receivable and bear interest at the rate of 20% per annum, based on a prime rate of 7%.

COMPREHENSIVE CARE CORPORATION

BALANCE SHEET

	May 31 1973	May 31 1972
ASSETS		
CURRENT ASSETS:		
Cash	$ 47,000	$ 188,000
Trade accounts receivable, less allowance for doubtful accounts of $5,000 (1973) and $7,000 (1972) (Schedule XII)	88,000	67,000
Prepaid expenses and supplies	64,000	53,000
TOTAL CURRENT ASSETS	199,000	308,000
DEFICIENCY IN ASSETS OF SUBSIDIARIES - equity method (Schedule III)	(1,200,000)	(1,183,000)
OTHER ASSETS:		
Receivable from wholly-owned subsidiaries (Schedule IV)	965,000	813,000
Notes receivable	239,000	252,000
Other	17,000	32,000
	1,221,000	1,097,000
PROPERTY, PLANT AND EQUIPMENT, at cost, substantially pledged (Notes 1, 3 and 12 and Schedules V and VI):		
Land	210,000	210,000
Buildings and improvements	658,000	656,000
Furniture and equipment	227,000	223,000
Leasehold improvements	59,000	58,000
	1,154,000	1,147,000
Less accumulated depreciation and amortization	142,000	96,000
	1,012,000	1,051,000
COST IN EXCESS OF NET ASSETS OF PURCHASED BUSINESSES	517,000	517,000
	$1,749,000	$1,790,000
LIABILITIES		
CURRENT LIABILITIES:		
Notes payable	$ -	$ 56,000
Accounts payable and accrued expenses (Note 14)	271,000	400,000
Current portion of long-term debt	90,000	92,000
TOTAL CURRENT LIABILITIES	361,000	548,000
RESERVE FOR LITIGATION AND CLAIMS (Note 10)	440,000	200,000
LONG-TERM DEBT, less portion due within one year included in current liabilities (Note 3)	725,000	1,289,000
TOTAL LIABILITIES	1,526,000	2,037,000
COMMITMENTS AND CONTINGENCIES (Notes 4 and 10)		
STOCKHOLDERS' EQUITY (DEFICIENCY IN ASSETS) (Notes 5 and 6)		
PREFERRED STOCK, par value $100 a share; authorized, 250 shares; issued and outstanding, 250 shares	25,000	25,000
COMMON STOCK, par value $.10 a share; authorized, 2,000,000 shares, issued and outstanding, 913,682 shares (1973) and 917,032 shares (1972)	91,000	92,000
ADDITIONAL PAID-IN CAPITAL	1,482,000	1,500,000
DEFICIT	(1,375,000)	(1,864,000)
	223,000	(247,000)
	$1,749,000	$1,790,000

See notes to financial statements.

COMPREHENSIVE CARE CORPORATION

STATEMENT OF EARNINGS

	Year ended May 31 1973	1972*
REVENUES:		
Patient care (Note 2)	$758,000	$ 617,000
Other	75,000	98,000
	833,000	715,000
COSTS AND EXPENSES:		
Operating	529,000	414,000
General and administrative	164,000	272,000
Project development and preopening costs (Note 7)	13,000	87,000
Interest	107,000	97,000
Depreciation	46,000	42,000
	859,000	912,000
LOSS BEFORE EQUITY IN NET EARNINGS (LOSS) OF SUBSIDIARIES AND EXTRAORDINARY ITEMS	(26,000)	(197,000)
EQUITY IN NET EARNINGS (LOSS) OF SUBSIDIARIES, exclusive of extraordinary items	63,000	986,000
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	37,000	(1,183,000)
EXTRAORDINARY ITEMS:		
Gain on sale of investment, net of related taxes on income of $259,000 (Note 8)	473,000	
Write-down of facility, net of related income tax credit of $89,000 (1973)(Note 9)	(82,000)	(1,175,000)
Settlement of litigation and claims and provision for pending litigation and claims, net of related income tax credit of $67,000 (1973) (Note 10)	(62,000)	(200,000)
Income tax reduction obtained by utilization of net operating loss carryforward (Note 1)	123,000	
	452,000	(1,375,000)
NET EARNINGS (LOSS)	$489,000	($2,558,000)

*Restated to conform to 1973 classifications.

See notes to financial statements.

TOUCHE ROSS & CO.

COMPREHENSIVE CARE CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended May 31 1973	1972
SOURCE OF FUNDS:		
Operations:		
Earnings (loss) exclusive of extraordinary items	$ 37,000	($1,183,000)
Add item not requiring outlay of (providing) working capital in the current period:		
Project development and preopening costs deferred prior to June 1, 1971		255,000
Depreciation, straight-line method	46,000	42,000
Deferred taxes on income (decrease)		(28,000)
Equity in losses (earnings) of subsidiaries	(63,000)	986,000
Reclassification of construction in progress		123,000
Funds provided from operations exclusive of extraordinary items	20,000	195,000
Extraordinary items	452,000	(1,175,000)
Items not requiring outlay of working capital	122,000	400,000
Amount of net extraordinary items taken by subsidiary	54,000	775,000
	628,000	-
Funds provided from operations, including extraordinary items	648,000	195,000
Sale and retirement of property, plant and equipment		5,000
Book value of investment sold	116,000	
Additions to long-term debt	69,000	570,000
Decrease in notes receivable	13,000	
Decrease in deferred costs, deposits and other assets	15,000	
Stock options exercised and other issuance of common stock		70,000
TOTAL FUNDS PROVIDED	$ 861,000	$ 840,000
APPLICATION OF FUNDS:		
Increase in amounts due from subsidiaries	$ 152,000	$ 579,000
Purchase of property, plant and equipment		127,000
Decrease in long-term debt	612,000	476,000
Cancellation of common stock previously issued	19,000	
Other		14,000
Increase (decrease) in working capital	78,000	(356,000)
TOTAL FUNDS USED	$ 861,000	$ 840,000
SUMMARY OF INCREASE (DECREASE) IN WORKING CAPITAL:		
Current assets:		
Cash	($ 141,000)	($ 233,000)
Accounts receivable	21,000	(5,000)
Prepaid expenses and supplies	11,000	10,000
	(109,000)	(228,000)
Current liabilities:		
Notes payable	(56,000)	(12,000)
Accounts payable and accrued expenses	(129,000)	249,000
Taxes on income		(6,000)
Current portion of long-term debt	(2,000)	(103,000)
	(187,000)	128,000
INCREASE (DECREASE) IN WORKING CAPITAL	$ 78,000	($ 356,000)

See notes to financial statements.

TOUCHE ROSS & CO.

NEURO AFFILIATES COMPANY
(A JOINT VENTURE)

BALANCE SHEET

MAY 31, 1973

ASSETS

CURRENT ASSETS:	
Cash	$105,000
Accounts receivable, less allowance for doubtful accounts of $45,000	242,000
Prepaid expenses and supplies	58,000
TOTAL CURRENT ASSETS	405,000
EQUIPMENT AND IMPROVEMENTS, at cost (Note 2):	
Furniture and equipment	161,000
Leasehold improvements	55,000
Construction in progress	2,000
	218,000
Less accumulated depreciation and amortization	13,000
	205,000
DEFERRED COSTS	30,000
	$640,[illegible]

LIABILITIES AND PARTNERS' EQUITY

CURRENT LIABILITIES:	
Notes payable to affiliated company	$125,000
Accounts payable and accrued expenses	139,000
Advances and allowances - Medicare current financing	20,000
Amounts due affiliated companies	186,000
Current portion of long-term debt (Note 2)	38,000
TOTAL CURRENT LIABILITIES	508,000
LONG-TERM DEBT, less portion due within one year included in current liabilities (Note 2)	70,000
TOTAL LIABILITIES	578,000
PARTNERS' EQUITY:	
Partners' capital	79,000
Loss for the seven months ended May 31, 1973	(17,000)
	62,000
	$640,000

See notes to financial statements.

NEURO AFFILIATES COMPANY
(A JOINT VENTURE)

STATEMENT OF OPERATIONS

SEVEN MONTHS ENDED MAY 31, 1973

REVENUES:	
Patient care	$885,000
Other	8,000
	893,000
COSTS AND EXPENSES:	
Operating	682,000
General and administrative	227,000
Interest	1,000
	910,000
NET LOSS	$ 17,000

See notes to financial statements.

NEURO AFFILIATES COMPANY
(A JOINT VENTURE)

STATEMENT OF CHANGES IN FINANCIAL POSITION

SEVEN MONTHS ENDED MAY 31, 1973

SOURCE OF FUNDS:	
Operations:	
Net loss	($ 17,000)
Item not requiring working capital - depreciation and amortization	13,000
Funds used in operations	(4,000)
Initial capital contribution by Hospital Affiliates, Inc.:	
Working capital	37,000
Other assets	2,000
Initial capital contribution by Comprehensive Care Corporation:	
Working capital	(76,000)
Property, plant and equipment	209,000
Long-term debt, less portion due within one year included in working capital contributed	(93,000)
Other	1,000
TOTAL FUNDS PROVIDED	$ 76,000
APPLICATION OF FUNDS:	
Deferral of preoperating costs	$ 28,000
Purchase of property, plant and equipment	10,000
Decrease in long-term debt	23,000
Assets and liabilities other than working capital initially contributed by joint venture partners:	
Property, plant and equipment	209,000
Other assets	2,000
Long-term debt, less portion due within one year included in working capital contributed	(93,000)
Decrease in working capital	(103,000)
TOTAL FUNDS USED	$ 76,000
SUMMARY OF INCREASE (DECREASE) IN WORKING CAPITAL:	
Current assets:	
Cash	$105,000
Accounts receivable	242,000
Prepaid expenses and supplies	58,000
	405,000
Current liabilities:	
Notes payable to affiliated company	125,000
Accounts payable and accrued expenses	139,000
Advances and allowances - Medicare current financing	20,000
Amounts due affiliated companies	186,000
Current portion of long-term debt	38,000
	508,000
DECREASE IN WORKING CAPITAL	($103,000)

See notes to financial statements.

NEURO AFFILIATES COMPANY
(A JOINT VENTURE)

NOTES TO FINANCIAL STATEMENTS

SEVEN MONTHS ENDED MAY 31, 1973

Note 1 - Summary of Significant Accounting Principles:

Depreciation Policy

The cost of equipment and leasehold improvements is depreciated or amortized over the estimated useful lives of the assets, using the straight-line method of depreciation.

Income Taxes

No provision has been made for federal and state income taxes since these taxes are the responsibility of the joint venturers.

Note 2 - Long-term Debt:

Long-term debt consists of conditional sales contracts amounting to $108,000 (net of financing charge in face amount of contracts of $58,000) collateralized by equipment. The approximate annual maturities of the long-term debt are $38,000 (1974), $38,000 (1975) and $32,000 (1976).

Note 3 - Formation of Joint Venture:

On November 1, 1973, Hospital Affiliates, Inc. (HAI) of Nashville, Tennessee, and Comprehensive Care Corporation (CompCare) of Newport Beach, California, entered into an agreement to form a joint venture, Neuro Affiliates Company. In accordance with the agreement, certain assets and liabilities were transferred by Calabasas Hospital, Neuro-Psychiatric Center (CompCare) and Woodview Psychiatric Hospital (HAI) to the Company. The partners' contributions were established at approximately $39,500 each. The operations of Woodview were merged into the operations of Calabasas. The combined operations are being managed by HAI. After refurnishing of the Woodview facility, the Hospital was reopened in February 1973, and is being managed by CompCare. The two partners will share equally in the results of the operations of the joint venture.

ADDITIONAL NOTES AND SCHEDULES

FURNISHED PURSUANT

TO THE REQUIREMENTS OF FORM 10-K

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

ADDITIONAL NOTES TO FINANCIAL STATEMENTS

TWO YEARS ENDED MAY 31, 1973

Note 12 - Property, Plant and Equipment:

Depreciation is provided on the straight-line method based upon the following estimated lives of the assets: buildings and improvements 8 to 40 years, furniture and equipment 4 to 12 years and leasehold improvements 3 to 25 years. Depreciation of $9,000 and $32,000 has been included in losses of discontinued operations for the years ended May 31, 1973 and 1972, respectively.

Expenditures for repairs and maintenance are charged against income when made. The costs of renewals and betterments are charged to the asset accounts. When assets are retired or sold, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is credited or charged to income.

Substantially all the plant and equipment is pledged to secure deeds of trust and equipment purchase contracts.

Note 13 - Supplementary Income Statement Information:

The following amounts were charged to costs and expenses:

	Company		Consolidated	
	1973	1972	1973	1972
Maintenance and repairs	$32,000	$23,000	$ 93,000	$ 60,000
Depreciation and amortization of property, plant and equipment	$47,000	$42,000	$ 92,000	$ 92,000
Amortization of intangible assets	$ 1,000	$ 1,000	$ 30,000	$ 28,000
Taxes other than income taxes:				
Payroll	$31,000	$32,000	$124,000	$120,000
Real and personal property	$34,000	$23,000	$ 87,000	$ 74,000
Other	$ 2,000	$ 2,000	$ 5,000	$ 9,000
Rents	$79,000	$69,000	$391,000	$351,000

The following amounts were charged to discontinued operations:

	Consolidated	
	1973	1972
Maintenance and repairs	$ 7,000	$ 38,000
Depreciation and amortization of property, plant and equipment	$ 9,000	$ 32,000
Taxes other than income taxes:		
Payroll	$10,000	$ 60,000
Real and personal property	$18,000	$ 37,000
Other		$ 4,000
Rents	$75,000	$248.000

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

ADDITIONAL NOTES TO FINANCIAL STATEMENTS

TWO YEARS ENDED MAY 31, 1973

(Continued)

The following amounts were charged to extraordinary items:

	Consolidated 1973	Consolidated 1972
Maintenance and repairs	$ -	$353,000
Taxes other than income taxes:		
Real and personal property	$7,000	$ 36,000
Other	$1,000	$ 5,000

There were not royalties or research and development costs paid during the above years. Advertising costs paid during the above years were less than 1% of total revenue and accordingly not reported.

Note 14 - Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses include salaries and wages in the following amounts:

Company 1973	Company 1972	Consolidated 1973	Consolidated 1972
$13,000	$33,000	$37,000	$119,000

Note 15 - Taxes on Income:

Taxes on income are federal taxes and were currently payable, subject to net operating loss carryovers.

COMPREHENSIVE CARE CORPORATION

INVESTMENTS IN, EQUITY IN EARNINGS OF, AND DIVIDENDS RECEIVED FROM AFFILIATES

YEAR ENDED MAY 31, 1973

TOUCHE ROSS & CO.

Name of issuer and description of investment	Balance at beginning of period		Additions			Deductions			Balance at end of period		Dividends received during the period from investments not accounted for by the equity method
			Equity taken up in earnings (losses) of affiliates for the period	Other		Distribution of earnings (losses) by affiliates in which earnings (losses) were taken up	Other				
	Number of shares	Amount		Number of shares	Amount		Number of shares	Amount	Number of shares	Amount	
CONSOLIDATED SUBSIDIARIES:											
NPHS, Inc. common stock, par value $10	320	($1,382,000)	$77,000	-	$ -	$8,000	-	$ -	320	($1,313,000)	$ -
Terracina Convalescent Hospital & Home, Inc. common stock, par value $100 a share	50	(66,000)	(13,000)						50	(79,000)	
Raleigh Hills Hospital, Inc. common stock, no par value	300	80,000					300	80,000(a)			
Fort Worth Neuro-Psychiatric Hospital, Inc. common stock, par value $1 a share	10,002	185,000	7,000						10,002	192,000	
		($1,183,000)	$71,000	-	$ -	$8,000	300	$ 80,000		($1,200,000)	$ -
UNCONSOLIDATED SUBSIDIARY:											
Advanced Health Systems, Inc. common stock, no par value (b)		$ -	$ -	490,000	$116,000	$ -	490,000	$116,000		$ -	$ -

(a) Sold June 1, 1972. See Note 8 of notes to financial statements.

(b) See Note 8 of notes to financial statements.

SCHEDULE III

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SCHEDULE III
(Continued)

COMPREHENSIVE CARE CORPORATION

INVESTMENTS IN, EQUITY IN EARNINGS OF, AND DIVIDENDS RECEIVED FROM AFFILIATES

YEAR ENDED MAY 31, 1972

Name of issuer and description of investment	Balance at beginning of period: Number of shares	Balance at beginning of period: Amount	Additions: Equity taken up in earnings (losses) of affiliates for the period	Additions: Other: Number of shares	Additions: Other: Amount	Deductions: Distribution of earnings (losses) by affiliates in which earnings (losses) were taken up	Deductions: Other: Number of shares	Deductions: Other: Amount	Balance at end of period: Number of shares	Balance at end of period: Amount	Dividends received during the period from investments not accounted for by the equity method
CONSOLIDATED SUBSIDIARIES:											
NPHS, Inc. common stock, par value $10	320	$ 45,000	($1,427,000)	-	$ -	$ -	-	$ -	320	($1,382,000)	$ -
Terracina Convalescent Hospital & Home, Inc. common stock, par value $100 a share	50	75,000	(141,000)						50	(66,000)	
Raleigh Hills Hospital, Inc. common stock, no par value (b)	300	265,000	(185,000)						300	80,000	
Fort Worth Neuro-Psychiatric Hospital, Inc. common stock, par value $1 a share	10,002	177,000	8,000 (a)						10,002	185,000	
		$562,000	($1,745,000)	-	$ -	$ -	-	$ -		($1,183,000)	$ -

(a) Net income for short period excluded from statement of income $16,000

Net loss for year ended May 31, 1972 (8,000)

Equity taken up in earnings of subsidiary $ 8,000

(b) Sold June 1, 1972. See Note 8 of notes to financial statements.

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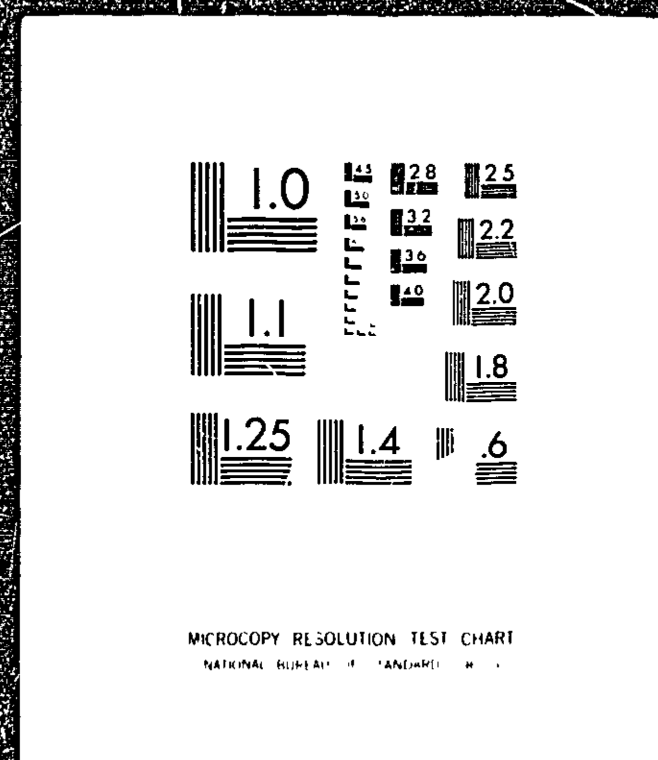
10-K

FOR FISCAL YEAR ENDING

5-31-73



SCHEDULE III
(Continued)

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

INVESTMENTS IN, EQUITY IN EARNINGS OF,
AND DIVIDENDS RECEIVED FROM AFFILIATES

YEAR ENDED MAY 31, 1973

Name of issuer and description of investment	Balance at beginning of period: Percent of ownership	Balance at beginning of period: Amount	Additions: Equity taken up in earnings (losses) of affiliates for the period	Additions: Other: Percent of ownership	Additions: Other: Amount	Deductions: Distribution of earnings (losses) by affiliates in which earnings (losses) were taken up	Deductions: Other: Percent of ownership	Deductions: Other: Amount	Balance at end of period: Percent of ownership	Balance at end of period: Amount	Dividends received during the period from investments not accounted for by the equity method
NPHS, Inc. investment in joint venture in Neuro Affiliates Company, a partnership	-	$ -	($8,000) (a)	50%	$39,000	$ -	-	$ -	50%	$31,000	$ -

(a) Share of joint venture loss.

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SCHEDULES IV AND X

COMPREHENSIVE CARE CORPORATION

INDEBTEDNESS OF AND TO AFFILIATES

TWO YEARS ENDED MAY 31, 1973

Name of affiliate	Balance receivable (payable) at beginning of period	Balance receivable (payable) at end of period
YEAR ENDED MAY 31, 1973:		
Amounts eliminated in consolidation:		
NPHS, Inc.	$985,000	$1,240,000
Terracina Convalescent Hospital & Home, Inc.	(18,000)	(41,000)
Raleigh Hills Hospital, Inc.	95,000	
Fort Worth Neuro-Psychiatric Hospital, Inc.	(249,000)	(234,000)
Total eliminated in consolidation	813,000	965,000
Amount not eliminated in consolidation:		
Neuro Affiliates Company		42,000(a)
Total indebtedness of and to affiliates	$813,000	$1,007,000
YEAR ENDED MAY 31, 1972:		
Amounts eliminated in consolidation:		
NPHS, Inc.	$393,000	$ 985,000
Terracina Convalescent Hospital & Home, Inc.	(18,000)	(18,000)
Raleigh Hills Hospital, Inc.	(106,000)	95,000
Fort Worth Neuro-Psychiatric Hospital, Inc.	(35,000)	(249,000)
Total indebtedness of and to affiliates	$234,000	$ 813,000

(a) Included in accounts receivable on balance sheet of Comprehensive Care Corporation and on balance sheet of Comprehensive Care Corporation and subsidiaries.

SCHEDULE V

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

PROPERTY, PLANT AND EQUIPMENT

TWO YEARS ENDED MAY 31, 1973

Classification	Balance at beginning of period	Additions at cost	Reduction: Retirements	Reduction: Other	Balance at end of period
COMPANY:					
Year ended May 31, 1973:					
Land	$ 210,000	$ -	$ -	$ -	$ 210,000
Buildings and improvements	656,000	2,000			658,000
Furniture and equipment	223,000	4,000			227,000
Leasehold improvements	58,000	1,000			59,000
	$1,147,000	$ 7,000	$ -	$ -	$1,154,000
Year ended May 31, 1972:					
Land	$ 210,000	$ -	$ -	$ -	$ 210,000
Buildings and improvements	647,000	9,000			656,000
Furniture and equipment	157,000	71,000	5,000		223,000
Leasehold improvements	11,000	47,000			58,000
Construction in progress	123,000			123,000(a)	
	$1,148,000	$127,000	$ 5,000	$123,000	$1,147,000
CONSOLIDATED:					
Year ended May 31, 1973:					
Land	$ 616,000	$ -	$ 373,000	$ 27,000(b)	$ 216,000
Buildings and improvements	1,328,000	2,000	672,000		658,000
Furniture and equipment	1,237,000	17,000	410,000	255,000(b)	589,000
Leasehold improvements	357,000	6,000		189,000(b)	174,000
	$3,538,000	$ 25,000	$1,455,000	$471,000	$1,637,000
Year ended May 31, 1972:					
Land	$ 647,000	$ [illegible]3,000	$ 64,000	$ -	$ 616,000
Buildings and improvements	1,435,000	12,000	119,000		1,328,000
Furniture and equipment	935,000	337,000	35,000		1,237,000
Leasehold improvements	77,000	280,000			357,000
Construction in progress	123,000			123,000(c)	-
	$3,217,000	$662,000	$ 218,000	$123,000	$3,538,000

(a) Transferred to a wholly-owned subsidiary.

(b) Reductions resulting from sale of a wholly-owned subsidiary and transfers to a joint venture. (See Note 8 - Notes to financial statements.)

(c) Charged to profit and loss.

TOUCHE ROSS & CO.

SCHEDULE VI

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

TWO YEARS ENDED MAY 31, 1973

Description	Balance at beginning of period	Additions charged to costs and expenses	Sales, retirements and abandonments	Other changes - add (deduct)	Balance at end of period
COMPANY:					
Year ended May 31, 1973:					
Buildings and improvements	$ 45,000	$ 17,000	$ -	$ -	$ 62,000
Furniture and equipment	42,000	21,000			63,000
Leasehold improvements	9,000	8,000			17,000
	$ 96,000	$ 46,000	$ -	$ -	$142,000
Year ended May 31, 1972:					
Buildings and improvements	$ 28,000	$ 17,000	$ -	$ -	$ 45,000
Furniture and equipment	24,000	19,000	1,000		42,000
Leasehold improvements	3,000	6,000			9,000
	$ 55,000	$ 42,000	$ 1,000	$ -	$ 96,000
CONSOLIDATED:					
Year ended May 31, 1973:					
Buildings and improvements	$ 72,000	$ 17,000	$ 27,000	$ -	$ 62,000
Furniture and equipment	280,000	64,000	62,000	(43,000) (b)	239,000
Leasehold improvements	54,000	20,000		(13,000) (b)	61,000
Unallocated	200,000		200,000		
	$606,000	$101,000	$289,000	($56,000)	$362,000
Charged to:					
Depreciation		$ 92,000			
Discontinued operations		9,000			
		$101,000			
Year ended May 31, 1972:					
Buildings and improvements	$ 71,000	$ 18,000	$ 18,000	$ 1,000 (a)	$ 72,000
Furniture and equipment	208,000	78,000	9,000	3,000 (a)	280,000
Leasehold improvements	26,000	28,000			54,000
Reserve for write-down of closed facility		200,000			200,000
	$305,000	$324,000	$ 27,000	$ 4,000	$606,000
Charged to:					
Depreciation		$ 92,000			
Discontinued operations		32,000			
Writedown of facility		200,000			
		$324,000			

(a) Depreciation charged against earnings of pooled business for short period excluded from statement of earnings.

(b) Reductions resulting from sale of a wholly-owned subsidiary and transfers to a joint venture. (See Note 8 - Notes to Financial Statements.)

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SCHEDULE VII

COMPREHENSIVE CARE CORPORATION

INTANGIBLE ASSETS

TWO YEARS ENDED MAY 31, 1973

Classification	Balance at beginning of period	Additions at cost	Deductions: Charged to costs and expenses	Deductions: Charged to other accounts	Balance at close of period
COMPANY:					
Year ended May 31, 1973:					
Cost in excess of net assets of purchased businesses	$517,000	$ -	$ -	$ -	$517,000
Year ended May 31, 1972:					
Cost in excess of net assets of purchased businesses	$917,000		$400,000		$517,000
Deferred project development and preopening costs	$255,000		$ 87,000	$168,000(a)	
CONSOLIDATED:					
Year ended May 31, 1973:					
Cost in excess of net assets of purchased businesses	$517,000				$517,000
Lease acquisition costs	$420,000		$ 29,000		$391,000
Year ended May 31, 1972:					
Cost in excess of net assets of purchased businesses	$917,000		$400,000		$517,000
Lease acquisition costs	$419,000	$ 29,000	$ 28,000		$420,000
Deferred project development and preopening costs	$355,000	$212,000	($526,000) ($ 41,000)		

(a) Transferred to a wholly-owned subsidiary.

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COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

RESERVES

TWO YEARS ENDED MAY 31, 1973

Description	Balance at beginning of period	Additions: Charged to costs and expenses: Revenue	Additions: Charged to costs and expenses: Discontinued operations	Additions: Charged to costs and expenses: Extraordinary items	Additions: Charged to other accounts (a)	Deductions: Writeoff of accounts	Deductions: Other	Balance at end of period
Allowance for doubtful accounts (deducted from accounts receivable in the balance sheet):								
Company:								
Year ended May 31, 1973	$ 7,000	$ 9,000	$ -	$ -	$ -	$ 11,000	$ -	$ 5,000
Year ended May 31, 1972	$ 3,000	$ 6,000	$ -	$ -	$ -	$ 2,000	$ -	$ 7,000
Consolidated:								
Year ended May 31, 1973	$203,000	$125,000	$ 11,000	$ -	$24,000	$117,000	$111,000(b)	$135,000
Year ended May 31, 1972 (restated)	$ 93,000	$ 88,000	$147,000	$11,000	$25,000	$161,000	$ -	$203,000

(a) Amounts included in this column are recoveries on accounts previously charged to this reserve.

(b) Amount includes:

Elimination resulting from sale of a subsidiary	$ 85,000
Transfer to a joint venture	26,000
	$111,000

See Note 8 of notes to financial statements.

SCHEDULE XII

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COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

CALCULATION OF PRIMARY EARNINGS PER SHARE

	Year ended May 31				Year ended November 30,
	1973	1972	1971	1970	1968
Net earnings (loss) applicable to common stock	$489,000	($2,558,000)	$309,000	$298,000	$ 24,000
Average number of shares of common stock and common stock equivalents outstanding:					
Average number of shares of common stock outstanding	915,381	907,958	865,782	501,527	488,000
Common stock equivalents - convertible preferred stock (2)	7,813		7,813	250,863	
Dilutive effect of stock options and warrants after application of treasury stock method (1)					
Average number of shares of common stock and common stock equivalents outstanding	923,194	907,958	873,595	752,390	488,000
Primary earnings (loss) per share	$.53	($2.82)	$.35	$.40	$.05

CALCULATION OF FULLY DILUTED EARNINGS PER SHARE

	Year ended May 31				Year ended November 30,
	1973	1972	1971	1970	1968
Net earnings applicable to common stock on a fully diluted basis	$489,000	$2,558,000	$309,000	$298,000	$ 24,000
Average number of shares outstanding on a fully diluted basis:					
Shares used in calculating primary earnings per share	923,194	907,958	873,595	752,390	488,000
Dilutive effect of stock options and warrants after application of treasury stock method (1)			1,360	1,360	
Average number of shares outstanding on a fully diluted basis	923,194	907,958	874,955	753,750	488,000
Fully diluted earnings (loss) per share	$.53	($2.82)	$.35	$.40	$.05

(1) The dilutive effect of stock options and warrants was less than 3%; for the years prior to 1972, therefore, this effect was not shown above. Stock options and warrants are antidilutive in 1972. Stock options and warrants are not dilutive in 1973.

(2) The 7,813 shares of preferred stock outstanding are not reflected in the 1972 earnings computation as they would have an antidilutive effect.

EXHIBIT

END

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