C567825

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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, 1975 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.)

230 Newport Center Drive
Newport Beach, California
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

92660
(ZIP CODE)

Registrant's telephone number, including area code (714) 640-8950

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 reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No __

Item 1. Business.

(a) Registrant, who was incorporated in January, 1969, specializes in the management and operation of health care facilities, particularly in the acute psychiatric and alcoholic rehabilitation fields. At May 31, 1975, Registrant was operating (or participating in the operation of) four acute hospitals, two extended care facilities, one intermediate care facility and two board and care facilities. In addition, Registrant was managing CAREUNITS (Comprehensive Alcoholic Rehabilitation Environment Units) in thirteen general hospitals.

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

Brea is a 142-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 78-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 99-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 CAREUNITS which Registrant managed at May 31, 1975 are located in the following general hospitals:

California

Anaheim Memorial Hospital
Anaheim, California

Mercy San Juan Hospital
Carmichael, California

Ontario Community Hospital
Ontario, California

The Oaks Hospital
San Jose, California

Parkwood Community Hospital
Canoga Park, California

Pinecrest Hospital
Santa Barbara, California

St. Luke Hospital of Pasadena
Pasadena, California

South Coast Community Hospital
South Laguna, California

Viewpark Community Hospital
Los Angeles, California

Oregon

Gresham Community Hospital
Gresham, Oregon

Physicians and Surgeons Hospital
Portland, Oregon

Colorado

Mercy Hospital
Denver, Colorado

Washington

Riverton General Hospital
Seattle, Washington

Pursuant to contracts with such hospitals, Registrant, on a fee per patient per day basis provides treatment for alcoholic patients. Under such contracts, the hospitals provide routine hospital services such as room, meals and nursing care, and Registrant provides the doctor and therapy team.

(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) Not applicable.

(7) Not applicable.

(8) As of May 31, 1975, Registrant employed approximately 450 persons.

(9) Not applicable.

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

(2) Not applicable.

Item 2. Summary of Operations.

Comprehensive Care Corporation and Subsidiaries

Consolidated Summary of Operations

	Year ended May 31,				
	1975	1974*	1973*	1972*	1971
Revenues:					
Patient care (Note B)	$6,683,000	$4,928,000	$3,832,000	$2,762,000	$3,224,000
Other	116,000	90,000	60,000	200,000	163,000
	6,799,000	5,018,000	3,892,000	2,962,000	3,387,000
Costs and expenses:					
Operating	4,557,000	3,378,000	2,775,000	2,466,000	2,272,000
General, administrative and marketing	1,577,000	1,134,000	801,000	993,000	621,000
Depreciation and amortization	120,000	98,000	92,000	92,000	72,000
Interest	77,000	121,000	121,000	119,000	122,000
	6,331,000	4,731,000	3,789,000	3,670,000	3,087,000
Earnings (loss) from continuing operations before taxes on income	468,000	287,000	103,000	(708,000)	300,000
Equity in earnings (loss) of joint venture on income (Note C)	155,000	78,000	(8,000)		
	623,000	365,000	95,000	(708,000)	300,000
Taxes on income (credit) (Note E)	317,000	186,000	44,000	(72,000)	127,000
Earnings (loss) from continuing operations and joint venture	306,000	179,000	51,000	(636,000)	173,000
Earnings (losses) from discontinued operations, less applicable taxes on income (Note A)		(9,000)	(14,000)	(547,000)	79,000
Earnings (loss) before extraordinary items	306,000	170,000	37,000	(1,183,000)	252,000
Extraordinary items:					
Income tax reduction from utilization of net operating loss carryforward (Note E)	264,000	200,000	123,000		
Settlement of litigation and claims and provision for pending litigation and claims, net of related income tax credit of $67,000 - (1973) (Note I)			(62,000)	(200,000)	
Gain or sale of investment, net of related taxes on income of $259,000 (Note G)			473,000		
Write-down of facility, net of related income tax credit $89,000 - (1973) (Note H)			(82,000)	(1,175,000)	
Gain on sale of subsidiary, net of related taxes on income of $28,000					57,000
	264,000	200,000	452,000	(1,375,000)	57,000
Net earnings (loss)	$ 570,000	$ 370,000	$ 489,000	$(2,558,000)	$ 309,000

Comprehensive Care Corporation and Subsidiaries

Consolidated Summary of Operations

(Continued)

	Year ended May 31,				
	1975	1974*	1973*	1972*	1971
Earnings (loss) per common and common equivalent share (Note F):					
Primary:					
Earnings (loss) from continuing operations and joint venture	$.30	$.19	$.06	$(.70)	$.20
Earnings (losses) from discontinued operations	-	(.01)	(.02)	(.60)	.09
Extraordinary items	.28	.22	.49	(1.52)	.06
Net earnings (Loss)	$.58	$.40	$.53	$(2.82)	$.35
Fully diluted:					
Earnings (loss) from continuing operations and joint venture	$.25	$.19	$.06	$(.70)	$.20
Earnings (losses) from discontinued operations	-	(.01)	(.02)	(.60)	.09
Extraordinary items	.21	.21	.49	(1.52)	.05
Net earnings (Loss)	$.46	$.39	$.53	$(2.82)	$.35

*Restated to conform to 1975 classifications. See notes to summary of operations.

Comprehensive Care Corporation and Subsidiaries

Consolidated Statements of Stockholders' Equity

	Convertible preferred stock		New preferred stock 8% convertible		Common stock		Additional paid-in capital	Retained earnings (deficit)	Stockholders' equity (deficiency in assets)
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances, 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 underwriters commission					134,990	14,000	820,000		834,000
Expenses in connection with sale of common stock							(219,000)		(219,000)
Conversion of convertible preferred stock into common stock	(8,250)	(825,000)			257,812	26,000	799,000		
Exercise of stock options					1,400		8,000		8,000
Net earnings								309,000	309,000
Balances, 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 earnings								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 acquisition					5,418	1,000	18,000		19,000
Rental lease advance					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)
Balances, 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
Balances, May 31, 1973	250	25,000	-	-	913,682	91,000	1,482,000	(1,375,000)	223,000
Sale of 8% convertible new preferred stock			6,100	305,000					305,000
Expenses related to sale of 8% convertible new preferred stock							(6,000)		(6,000)
Issuance of common stock in connection with settlement of a claim					25,000	3,000	10,000		13,000
Net earnings								370,000	370,000
Balances, May 31, 1974	250	25,000	6,100	305,000	938,682	94,000	1,486,000	(1,005,000)	905,000
Net earnings								570,000	570,000
Dividends paid on 8% new preferred shares							(24,000)		(24,000)
Other							(1,000)		(1,000)
Balances, May 31, 1975	250	$ 25,000	6,100	$305,000	938,682	$94,000	$1,461,000	$ (435,000)	$1,450,000

See notes to summary of operations.

Item 2. Summary of Operations (continued):

Notes to Summary of Operations

Note A - Basis of Accounting:

The consolidated financial statements include the accounts of Comprehensive Care Corporation and its wholly-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

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

	Year ended May 31			
	1974	1973	1972	1971
Revenues	$577,000	$440,000	$1,711,000	$1,450,000
Net earnings (loss)	($ 9,000)	($ 14,000)	($ 547,000)	$ 79,000

Note B - Revenue from Patient Care:

A substantial amount of the Company's revenue from patient care is derived from Medicare, Medi-Cal and Blue Cross programs. Such revenue is based on cost reimbursement principles.

Management believes that these principles have been properly applied in the determination of revenues from these programs. Final determination of revenues is subject to audit by intermediaries administering these programs. Any differences resulting from final settlements are reflected in patient care revenue.

Adjustments related to prior years increased or decreased revenue as follows:

Year ended May 31	Increase (decrease)
1975	$ 23,000
1974	146,000
1973	144,000
1972	(330,000)

Note C - Equity in Earnings (Loss) of Joint Venture

Investment in the 50% owned joint venture is accounted for under the equity method. The Company's share of earnings or loss is included in the Consolidated Statement of Earnings and the Company's share of accumulated earnings or losses less cash distributions is added to or deducted from the cost of the investment and included in the Consolidated Balance Sheet.

Item 2. Summary of Operations (continued):

Notes to Summary of Operations

(Continued)

A summary of condensed financial data of the joint venture is presented as follows:

	May 31, 1975	May 31, 1974	May 31, 1973*
Financial position			
Current assets	$ 600,000	$ 706,000	$405,000
Current liabilities	269,000	665,000	508,000
Working capital (deficiency)	$ 331,000	$ 41,000	($103,000)
Total assets	$ 797,000	$ 913,000	$640,000
Total liabilities	269,000	694,000	578,000
Partners' equity	$ 528,000	$ 219,000	$ 62,000
Results of operations			
Revenues	$2,581,000	$2,084,000	$893,000
Costs & expenses	2,272,000	1,927,000	910,000
Earnings (Loss) before taxes on income	$ 309,000	$ 157,000	($ 17,000)

*Result of operations for the 7-months ended May 31, 1973

Note D - 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.

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

Note E - Taxes on Income:

The Company and its subsidiaries file consolidated corporate income tax returns. Prior to May 31, 1973, 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 D) 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.

Item 2. Summary of Operations (continued):

Notes to Summary of Operations

(Continued)

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

	Year ended May 31				
	1975	1974	1973	1972	1971
Current	$ -	$ -	$ -	($ 89,000)	$ 73,000
Deferred	-	-	-	(101,000)	101,000
	$ -	$ -	$ -	($190,000)	$174,000

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

The effective tax rate for taxes on income differs from the federal statutory tax rate of 48% and is reconciled as follows:

	Year ended May 31,				
	1975	1974	1973	1972*	1971
Statutory rate	48.0%	48.0%	48.0%		48.0%
State income taxes	4.4	4.6	4.0		3.6
Surtax exemptions	(1.5)	(1.6)	(5.7)		(9.3)
Effective tax rate	50.9%	51.0%	46.3%		42.3%

*Not applicable

The Company has federal income tax carryforwards for the reporting purposes to offset future taxable income as follows:

Expires May 31,	Amount
1977	$409,000
1978	391,000
1979	48,000
	$848,000

For financial reporting, the Company has $969,000 available to offset future income due to timing differences in the recognition of revenue and expense for tax and financial statement purposes.

Investment tax credits are accounted for by use of the "flow-through" method whereby the provision for federal income taxes is reduced by the amount of the credits in the year they are realized.

The Company has investment tax credits carryforwards to reduce future income taxes of $26,000 with expiration dates through 1982.

Note F - Earnings Per Share:

Primary earnings per common and common equivalent share have been computed by dividing earnings less cash dividends on the 8% new preferred shares by the weighted average number of shares of common stock and convertible preferred

Item 2. Summary of Operations (continued):

Notes to Summary of Operations

(Continued)

stock outstanding during the year as follows:

	1975	1974	1973	1972	1971 (a)
Common stock	938,682	916,599	915,381	907,958	865,782
Convertible preferred stock	7,813	7,813	7,813	-	7,813
	946,495	924,412	923,194	907,958	873,595
8% cash dividends	$24,000	$ 2,000	$ -	$ -	$ -

(a) Adjusted to give effect to common shares issued in connection with a pooling of interests.

Fully diluted earnings per common and common equivalent share have been computed by dividing earnings by the weighted average number of shares of common stock, convertible preferred stock and 8% new preferred stock outstanding during the year as follows:

	1975	1974	1973	1972	1971
Common stock	938,682	916,599	915,381	907,958	865,782
Convertible preferred stock	7,813	7,813	7,813	-	7,813
8% new preferred stock	305,000	33,098	-	-	-
	1,251,495	957,510	923,194	907,958	873,595

The dilutive effect of outstanding stock options and warrants was not significant in 1971 and 1975. In 1972, 1973 and 1974, the effect of stock options and warrants is antidilutive.

No cash dividends have been paid on common shares. Shareholders of the convertible preferred stock are not entitled to cash dividends. Dividends of $24,000 were paid on 8% new preferred shares in 1975.

Note G - 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 H - 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

Item 2. Summary of Operations (continued):

Notes to Summary of Operations

(Continued)

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

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

All material lawsuits and claims filed against the Company have been settled at May 31, 1974.

Managements' Discussion and Analysis of the Summary of Operations

1975

The significant increase in 1975 revenues and costs were largely attributable to the expansion of the alcoholic rehabilitation division. Thirteen units were in operation at May 31, 1975 compared to five units in operation at May 31, 1974. Revenues increased over $1,000,000.

The psychiatric division accounted for a substantial increase in revenues. Revenues also increased in the long-term division. Increased revenue in the psychiatric and long-term divisions was due primarily to rate increases resulting from increasing operating costs. Patient census was higher in both divisions.

Earnings from operations reflected increases from all operating divisions.

Payroll taxes were up in 1975 due to the hiring of new employees, especially in the expanding alcoholic division, higher salary and wage levels for withholding of taxes and higher tax rates.

Rent expense was up from 1974, primarily because a full year of the corporate office rent is included in 1975. Larger facilities were required in October, 1973. The Company leases facilities that contain clauses for escalations based on the Consumers Price Index. As a result, based on the current index, future facility rent expense will rise significantly.

The increase in advertising is attributable to newspaper and other media advertising in connection with the alcoholic division. This cost is expected to continue.

Interest expense was down in 1975, since short term borrowing for working capital was not required.

1974

Revenues increased in 1974 as the result of higher census levels, especially in the psychiatric division, rate increases and retroactive Medicare and Blue Cross adjustments.

After giving effect to costs increases attributable to increased volume and inflation, earnings from operations increased by approximately $105,000. Retroactive Medicare and Blue Cross adjustments accounted for $146,000 of the increase in earnings.

Start-up costs relative to the Careunit division reduced earnings from operations.

Payroll taxes were up from 1974 due to the hiring of new employees, higher salary and wage levels for withholding of taxes and higher tax rates.

Rent expense was up in 1975 primarily due to higher corporate office rent resulting from moving to a larger building in October, 1973.

1973

The increase in revenue was attributable to higher census levels in the psychiatric division and the long-term care division, and retroactive Medi-Cal rate increases and Medicare and Blue Cross adjustments. Revenue resulting from higher census levels was substantially absorbed by higher operating costs while the retroactive adjustments increased earnings by approximately $144,000.

Managements' Discussion and Analysis of the Summary of Operations (continued)

1972

The decrease in revenue in 1972 was attributable to retroactive adjustments in connection with Medicare and Blue Cross programs, and a decline in patient census levels in the psychiatric division. As a result, earnings from continuing operations were reduced $330,000 and $126,000, respectively.

A 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 increased costs and expenses and reduced earnings from continuing operations by $139,000 and contributed $387,000 to losses from discontinued operations. In addition, costs and expenses were increased as the result of including a full year of operations of a long-term care facility that opened in October, 1970 and inclusion of operations of a long-term care facility opened in October, 1971. Start-up costs related to the facility opened in October, 1971 reduced earnings from continuing operations by $63,000. Start-up costs contributed $606,000 to losses from discontinued operations.

Item 3. Properties.

Registrant's executive offices are located in an office building a ?30 Newport Center Drive, Suite 222, Newport Beach, California. They consist of approximately 5,337 square feet and are leased at $3,469 per month under a lease which expires in 1978. 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, California 92621	1986	$11,560
Fort Worth Neuropsychiatric Hospital 1066 West Magnolia Fort Worth, Texas 76104	1996	3,792
Calabasas Hospital - Neuro-psychiatric Center 25100 Calabasas Road Calabasas, California 92373	1996	14,800 (1)
Crossroads Hospital 6305 Woodman Avenue Van Nuys, California 91401	1987	5,577
Terracina Convalescent Hospital 1620 West Fern Avenue Redlands, California 92373	1986	4,680
Tustin Manor 1051 Bryan Tustin, California 92680	1995	6,000
Bayview Manor 350 Bay Street Costa Mesa, California 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).

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%
CAREUNIT, Inc.*	California	100%

Item 5. Pending Legal Proceedings.

Registrant was not engaged in any material legal proceedings as of May 31, 1975.

Item 6. Increases and Decreases in Outstanding Securities.

(a) Preferred Stock - Shares outstanding at June 1, 1974 and at May 31, 1975:	250
New Preferred Stock - shares outstanding at June 1, 1974 and at May 31, 1975:	6,100
Common Stock - shares outstanding at June 1, 1974 and at May 31, 1975:	938,682
Warrants - outstanding at June 1, 1974	25,561
(1) Expired by terms of warrant	8,000
Outstanding May 31, 1975:	17,561

Item 7. Approximate Number of Equity Security Holders.

Title of Class	Number of Record Holders as of May 31, 1975
Common Stock, par value $.10 per share	619
Preferred Stock, par value $100 per share	1
New Preferred Stock, par value $50 per share	20

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* Subsidiaries included in consolidated financial statements.

Item 8. Executive Officers of the Registrant.

Name	Office	Age
B. Lee Karns	President	45
A. Joel Klein	Executive Vice President	35
Leon G. Van Luchene	Senior Vice President, Finance	43
William James Nicol	Administrative Vice President, Secretary and Treasurer	31
Edward A. Johnson	Vice President, Psychiatric Division	30
Robert L. Kasselmann	Vice President, Midwest CAREUNIT Division	39
Harold M. Voorheis	Vice President, Marketing	32
Marjorie McDuffie	Vice President, Public Relations	40

No family relations exist between any of the above-named officers of the Registrant.

Mr. Karns has been the President of Registrant since May, 1972. From January, 1969, to May, 1972, he was the Chief Executive Officer of S.D.S. Management Services, a health care consulting firm.

Mr. Klein has been the Executive Vice President of Registrant since November, 1972. For approximately four years prior thereto he was an officer of S.D.S. Management Services.

Mr. Van Luchene is a certified public accountant. He has been Registrant's corporate controller since September, 1969 and a Vice President of Registrant since 1970.

Mr. Nicol has been the Secretary of Registrant since December, 1973, and a Vice President and the Treasurer of Registrant since April, 1974. He was a Project Manager and the Controller of Advanced Health Systems, Inc., a hospital management firm from December, 1972, to June, 1973. From December, 1970, to November, 1972, Mr. Nicol was employed by S.D.S. Management Services. Prior to that, Mr. Nicol was a student.

Mr. Kasselmann has been a Vice President of Registrant since May, 1975. He was a consultant with the Health Care Management Services Division of Laventhol & Horwath from January, 1974 to August, 1974 and for approximately five years prior thereto he was a project manager and director of operations of S.D.S. Management Services.

Mr. Voorheis has been Registrant's Vice President-Marketing since April, 1974 and from April, 1973 to April, 1974 he was the director of program development. For approximately four years prior thereto, he was regional administrator with Beverly Enterprises, Inc., a health care management corporation.

Mr. Johnson has been the Vice President of Registrant's Psychiatric Division since May, 1975. For more than six years prior thereto, he was Administrator and Executive Director of Registrant's Brea Hospital Neuro-Psychiatric Center.

Ms. McDuffie has been the Vice President-Public Relations of Registrant since April, 1974 and was employed in various other capacities with Registrant since April, 1972. Prior thereto she was with the public relations department of Newman Properties.

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 independent 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.

(1) Calculation of primary earnings per share and calculation of fully diluted earnings per share.

PART II

Omitted. Registrant has filed proxy material with respect to its Annual Meeting covering its fiscal year ended May 31, 1975.

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

William James Nicol,
Administrative Vice President

DATED: August 25, 1975

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, 1975

Comprehensive Care Corporation and Subsidiaries

Financial Statements and Schedules

Years Ended May 31, 1975 and 1974

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.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors
Comprehensive Care Corporation

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, 1975 and the related statements of earnings, stockholders' equity and changes in financial position for the year 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.

In our opinion, the financial statements identified above present fairly the financial position of Comprehensive Care Corporation and of Comprehensive Care Corporation and subsidiaries at May 31, 1975, the results of their operations and the changes in their financial position for the year then ended, and the additional notes and schedules present fairly the information required to be set forth therein, all in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Moss, Adams & Co.
MOSS, ADAMS & CO.

Newport Beach, California
July 17, 1975

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Partners
Neuro Affiliates Company (A Joint Venture)

We have examined the balance sheet of Neuro Affiliates Company (A Joint Venture) as of May 31, 1975 and the related statements of income and changes in partners' capital, and changes in financial position for the year 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 financial statements identified above present fairly the financial position of Neuro Affiliates Company at May 31, 1975, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Moss, Adams & Co.
MOSS, ADAMS & CO.

Newport Beach, California
July 17, 1975

TOUCHE ROSS & CO.

3700 WILSHIRE BOULEVARD
LOS ANGELES, CALIFORNIA 90010

July 25, 1974

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, 1974, and the related statements of earnings, stockholders' equity and changes in financial position for the year then ended and the related 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.

In our opinion, the aforementioned financial statements present fairly the financial position of Comprehensive Care Corporation and the consolidated financial position of Comprehensive Care Corporation and subsidiaries at May 31, 1974, and the results of their operations and the changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Further, in our opinion, the aforementioned 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 15, 1974

Management Committee
Neuro Affiliates Company
Calabasas, California

We have examined the balance sheet of Neuro Affiliates Company as of May 31, 1974, and the related statements of operations, partners' capital and changes in financial position for the year 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, 1974, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

Certified Public Accountants

Comprehensive Care Corporation and Subsidiaries

Consolidated Balance Sheet

	May 31	
	1975	1974*
Assets		
Current assets:		
Cash	$ 53,000	$ 87,000
Time deposits	300,000	-
Accounts receivable, less allowance for doubtful accounts of $194,000 in 1975 and $187,000 in 1974, partially assigned as collateral to short-term borrowings of $9,000 in 1974 (Schedule XII)	1,112,000	1,090,000
Prepaid expenses	214,000	208,000
Total current assets	1,679,000	1,385,000
Property and equipment, at cost (Notes 1 and 2 and Schedules V and VI):		
Land	216,000	216,000
Buildings and improvements	673,000	664,000
Furniture and equipment	802,000	734,000
Leasehold improvements	250,000	211,000
	1,941,000	1,825,000
Less accumulated depreciation and amortization	549,000	437,000
	1,392,000	1,388,000
Other assets:		
Lease acquisition costs (Note 1 and Schedule VII)	333,000	362,000
Cost in excess of net assets of businesses purchased (Note 1 and Schedule VII)	517,000	517,000
Investment in a joint venture (Note 1 and Schedule III)	264,000	109,000
Other	67,000	56,000
	1,181,000	1,044,000
	$4,252,000	$3,317,000
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term borrowings	$ -	$ 9,000
Accounts payable and accrued expenses (Note 11)	687,000	772,000
Amounts due to third party payors within one year	611,000	398,000
Long-term debt due within one year (Note 2)	162,000	161,000
Income taxes payable	50,000	
Total current liabilities	1,510,000	1,340,000
Amounts due to third party payors after one year	33,000	83,000
Deferred gain on sale and leaseback of property (Note 1)	152,000	160,000
Long-term debt due after one year (Note 2)	1,107,000	1,269,000
Reserve for litigation and claims	-	60,000
Commitments (Note 7)		
Stockholders' equity (Notes 3 through 6):		
Convertible preferred stock, par value $100 a share; authorized, issued and outstanding, 250 shares	25,000	25,000
New preferred stock, par value $50 a share, authorized 60,000 shares, 8% convertible series, issued and outstanding, 6,100 shares	305,000	305,000
Common stock, par value $.10 a share; authorized, 2,000,000 shares; issued and outstanding, 938,682 shares	94,000	94,000
Additional paid-in capital	1,461,000	1,486,000
Deficit	(435,000)	(1,005,000)
	1,450,000	905,000
	$4,252,000	$3,817,000

*Restated to conform to 1975 classifications.

See notes to consolidated financial statements.

Comprehensive Care Corporation and Subsidiaries

Consolidated Statement of Earnings

	Year Ended May 31, 1975	Year Ended May 31, 1974*
Revenues:		
Patient care (Note 1)	$6,683,000	$4,928,000
Other	116,000	90,000
	6,799,000	5,018,000
Costs and expenses:		
Operating	4,557,000	3,378,000
General, administrative and marketing	1,577,000	1,134,000
Depreciation and amortization	120,000	98,000
Interest	77,000	121,000
	6,331,000	4,731,000
Earnings from continuing operations before taxes on income	468,000	287,000
Equity in earnings of joint venture (Note 1)	155,000	78,000
	623,000	365,000
Taxes on income (Note 8)	317,000	186,000
Earnings from continuing operations and joint venture	306,000	179,000
Loss from discontinued operations, net of income tax credit of $10,000	-	(9,000)
Earnings before extraordinary credit	306,000	170,000
Extraordinary credit, income tax reduction from utilization of net operating loss carryforward (Note 8)	264,000	200,000
Net earnings	$ 570,000	$ 370,000
Earnings per common and common equivalent share (Note 9):		
Primary:		
Earnings from continuing operations and joint venture	$.30	$.19
Loss from discontinued operations	-	(.01)
Extraordinary credit	.28	.22
Net earnings	$.58	$.40
Fully diluted:		
Earnings from continuing operations and joint venture	$.25	$.19
Loss from discontinued operations	-	(.01)
Extraordinary credit	.21	.21
Net earnings	$.46	$.39

*Restated to conform to 1975 classifications.

See notes to consolidated financial statements.

Comprehensive Care Corporation and Subsidiaries

Consolidated Statement of Stockholders' Equity

	Convertible Preferred Stock Shares	Convertible Preferred Stock Amount	New Preferred Stock 8% Convertible Shares	New Preferred Stock 8% Convertible Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deficit
Balances, May 31, 1973	250	$25,000	-	$ -	913,682	$91,000	$1,482,000	$(1,375,000)
Sale of 8% convertible new preferred stock			6,100	305,000				
Expenses related to sale of stock							(6,000)	
Issuance of common stock in connection with settlement of a claim					25,000	3,000	10,000	
Net earnings								370,000
Balances, May 31, 1974	250	25,000	6,100	305,000	938,682	94,000	1,486,000	(1,005,000)
Net earnings								570,000
Dividends paid on 8% new preferred shares							(24,000)	
Other							(1,000)	
Balances, May 31, 1975	250	$25,000	6,100	$305,000	938,682	$94,000	$1,461,000	$ (435,000)

See notes to consolidated financial statements.

Comprehensive Care Corporation and Subsidiaries

Consolidated Statement of Changes in Financial Position

	Year Ended May 31, 1975	1974*
Source of Funds:		
Operations:		
Earnings before extraordinary credit	$306,000	$170,000
Items not requiring (providing) outlay of working capital		
Depreciation and amortization of property, equipment and leasehold costs	142,000	123,000
Equity in earnings of joint venture	(155,000)	(78,000)
Funds provided from operations before extraordinary credit	293,000	215,000
Extraordinary credit	264,000	200,000
Funds provided from operations, including extraordinary credit	557,000	415,000
Net proceeds from sale of new preferred stock		299,000
Additional long-term debt due after one year	19,000	106,000
Additions of amounts due to third party payors after one year		83,000
Total funds provided	$576,000	$903,000
Application of Funds:		
Purchases of property and equipment	$134,000	$216,000
Reduction of amounts due to third party payors after one year	50,000	
Settlement of litigation and claims	60,000	163,000
Decrease in long-term debt	181,000	148,000
Dividends paid on new preferred stock	24,000	
Other	3,000	2,000
Increase in working capital	124,000	374,000
Total funds applied	$576,000	$903,000
Summary of Changes in Working Capital:		
Increase (decrease) in current assets:		
Cash	$(34,000)	$ 25,000
Time deposits	300,000	-
Accounts receivable	22,000	511,000
Prepaid expenses	6,000	47,000
	294,000	583,000
Increase (decrease) in current liabilities:		
Short-term borrowings	(9,000)	9,000
Accounts payable and accrued expenses	(85,000)	205,000
Amounts due to third party payors	213,000	(54,000)
Long-term debt due within one year	1,000	49,000
Income taxes payable	50,000	-
	170,000	209,000
Increase in working capital	$124,000	$374,000

*Restated to conform to 1975 classifications.

See notes to consolidated financial statements.

Comprehensive Care Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended May 31, 1975 and 1974

Note 1 - Summary of Signific nt Accounting Policies

Principles of Conso dation and Investment in Joint Venture

The consolidated financial statements include the accounts of Comprehensive Care Corporation and its wholly-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Investment in the 50% owned joint venture is accounted for under the equity method. The Company's share of earnings or loss is included in the Consolidated Statement of Earnings and the Company's share of accumulated earnings or losses less cash distributions is added to or deducted from the cost of the investment and included in the Consolidated Balance Sheet.

A summary of condensed financial data of the joint venture is presented as follows:

	May 31, 1975	May 31, 1974
Financial position		
Current assets	$600,000	$706,000
Current liabilities	269,000	665,000
Working capital	$331,000	$ 41,000
Total assets	$797,000	$913,000
Total liabilities	269,000	694,000
Partners' equity	$528,000	$219,000
Result of operations		
Revenues	$2,581,000	$2,084,000
Costs and expenses	2,272,000	1,927,000
Earnings before taxes on income	$ 309,000	$ 157,000

Patient Care Revenues

A substantial amount of the Company's revenue from patient care is derived from Medicare, Medi-Cal and Blue Cross programs. Such revenue is based on cost reimbursement principles.

Management believes that these principles have been properly applied in the determination of revenues from these programs. Final determination of revenues is subject to audit by intermediaries administering these programs. Any differences resulting from final settlements are reflected in patient care revenue.

Property and Equipment

Depreciation and amortization on property and equipment is computed on the straight-line method over estimated useful lives, principally: buildings and improvements - 5 to 40 years; furniture and equipment - 5 to 12 years; leasehold improvements - life of lease or life of asset whichever is less.

Maintenance and repairs are charged to expense as incurred and betterments are capitalized.

Intangible Assets

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

Costs incurred in obtaining hospital facility leases are being amortized on the straight-line method over the term of the leases which expire in 1986 and 1997. The unamortized balances at May 31, 1975 are $311,000 and $22,000 respectively.

Project Development and Preopening Costs

Project development and preopening expenditures are expensed as incurred.

Taxes on Income

The provisions for income taxes include federal and state taxes based upon income.

The investment tax credit is accounted for as a reduction of federal income taxes in the year realized.

Deferred Gain on Sale and Leaseback of Property

The gain realized on the sale and leaseback of a hospital facility is being amortized on the straight-line method over the term of the lease, expiring in 1996.

Note 2 - Long-Term Debt

Long-term debt consists of the following at May 31:

	1975	1974
6½% to 10% notes, collateralized by trust deeds, payable in monthly installments with maturity dates from 1979 through 1993.	$576,000	$620,000
Note payable to Small Business Administration, uncollateralized, with interest at 3% due in monthly installments through 2002.	347,000	347,000
6% to 8½% unsecured notes payable in quarterly installments with maturity dates from 1976 through 1983.	220,000	266,000
Furniture and equipment contracts	110,000	174,000
Other	16,000	23,000
	1,269,000	1,430,000
Less amounts due within one year	162,000	161,000
	$1,107,000	$1,269,000

Maturities of long-term debt for the five years after May 31, 1975 are $162,000, $127,000, $120,000, $122,000, and $112,000.

Note 3 - Convertible Preferred Stock

The rights and preferences of the convertible preferred stock issue provides for convertibility of each share into 31.25 shares of common stock; preference over holders of new preferred stock and common stock in the event the Company is liquidated; voting rights, with the number of votes being based upon the number of shares of common stock that the convertible preferred stock may be converted or the holders voting as a class may elect two directors to the Company's board. Holders of this issue are not entitled to receive any dividends. The Company may at any time redeem the shares at par value.

Note 4 - New Preferred Stock

The Company is authorized to issue 60,000 shares of new preferred stock, par value $50 a share, issuable in one or more series. The Board of Directors of the Company is authorized to fix the number of shares constituting each series and to establish rights and preferences.

The rights and preferences of the series of new preferred stock issued provide for an 8% dividend ($4.00 per share) each year; convertibility into common stock at $1.00 per share; preference over the holders of common stock in the event the Company is liquidated; and voting rights, with the number of votes being based upon the number of shares of common stock that the new preferred stock may be converted. Such shares are subject to redemption at the Company's option after April 18, 1977 at par value.

Note 5 - Stock Options

Under the Company's qualified stock option plan, 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.

At May 31, 1975, there were 45,650 shares under option at exercise prices ranging from $1.75 to $3.50 per share of which 43,325 shares were exercisable. No options were granted during the year and options for 3,100 shares expired. There were 13,950 shares available for option at May 31, 1975.

The Company has also adopted a non-qualified stock option plan for employees of the Company and members of medical staffs of facilities operated by the Company to purchase common stock of the Company. The option price per share for options granted must be at least 85% 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. The Company has not granted any non-qualified options. At May 31, 1975 there were 75,000 shares available for option.

Note 6 - Stock Warrants and Rights

Warrant holders are entitled to purchase 17,561 shares of the Company's common stock at prices ranging from $5.60 to $8.40 per share. The warrants expire in 1975 and 1976.

An agreement related to a note payable provides that on any anniversary date of the note, up to one third of the principal amount thereof then owing may be converted into shares of the Company's common stock at 75% of the average of the mean between the bid and ask prices at the close of each days' trading for all of the trading days of the month preceding the month within which this right to convert arises. This option was not exercised on the first anniversary date, April 19, 1975. The amount of principal owing on the next anniversary date would be approximately $71,000.

Note 7 - Lease Commitments

The Company leases facilities, furniture and equipment. The facility leases contain clauses for escalations based on the Consumers Price Index, payment of real estate taxes, insurance, maintenance and repair expenses. Most of the furniture and equipment leases provide purchase options and accordingly, these leases have been capitalized. Equipment leases that do not have purchase options are not significant and are not included herein. Total facilities rental expense was as follows:

	Year Ended May 31, 1975	1974
Continuing operations	$407,000	$388,000
Discontinued operations	-	36,000
	$407,000	$424,000

In addition, amortization of leasehold costs of $29,000 less amortization of deferred gain on sale and leaseback of property of $7,000 was charged to operations in 1975 and 1974. Minimum annual rental commitments as of May 31, 1975 for all noncancellable leases are as follows:

1976	$ 588,000
1977	588,000
1978	588,000
1979	569,000
1980	547,000
1981-1985	2,731,000
1986-1990	2,022,000
1991-1995	1,738,000
After 1995	336,000

The above commitments include $178,000 annual rent payable through 1996 which is reimbursed to the Company under provisions of a joint venture agreement.

The present value of minimum lease commitments applicable to all noncancellable financing leases at May 31, 1975 and 1974 is $3,327,000 and $3,467,000 respectively. The weighted average interest rate (based on present value) for all financing leases is 7.8% for 1975 and 7.7% for 1974, and the range of interest is 6.5 - 9.5% for 1975 and 6.5 - 9.0% for 1974.

If all financing leases were capitalized and the related property rights were amortized on a straight-line basis and interest was accrued on the basis of the present value of the leases, earnings before extraordinary item for the two years ended May 31, 1975 and 1974 would have been reduced by approximately $40,000 and $24,000, respectively. Net earnings for the two years ended May 31, 1975 and 1974 would have been reduced by approximately $61,000 and $49,000, respectively.

Amortization in the above computations was $212,000 in 1975 and $200,000 in 1974. Interest in these computations amounted to $264,000 in 1975 and $266,000 in 1974.

Comprehensive Care Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended May 31, 1975 and 1974

(Continued)

Note 8 - Taxes on Income

For the years ended May 31, 1975 and 1974, the effective tax rate for taxes on income was 51%. The difference between the effective tax rates and the federal statutory tax rate of 48% results from the inclusion of state income taxes. The Company has federal income tax carryforwards for tax reporting purposes to offset future taxable income as follows:

Expires May 31,	Amount
1977	$409,000
1978	391,000
1979	48,000
	$848,000

For financial reporting, the Company has $969,000 available to offset future income, due to timing differences in the recognition of revenue and expense for tax and financial statement purposes.

The Company has investment tax credits carryforwards to reduce future income taxes of $26,000 with expiration dates through 1982.

Note 9 - Earnings Per Share

Primary earnings per common and common equivalent share have been computed by dividing earnings less cash dividends on the 8% new preferred shares by the weighted average number of shares of common stock and convertible preferred stock outstanding during the year as follows:

	1975	1974
Common stock	938,682	916,599
Convertible preferred stock	7,813	7,813
	946,495	924,412
8% cash dividends	$24,000	$2,000

Fully diluted earnings per common and common equivalents share have been computed by dividing earnings by the weighted average number of shares of common stock, convertible preferred stock and 8% new preferred stock outstanding during the year as follows:

	1975	1974
Common stock	938,682	916,599
Convertible preferred stock	7,813	7,813
8% new preferred stock	305,000	33,098
	1,251,495	957,510

Stock options and warrants were not dilutive in 1975 or 1974.

Comprehensive Care Corporation

Balance Sheet

	May 31, 1975	May 31, 1974*
Assets		
Current assets:		
Cash	$ 44,000	$ 77,000
Time deposits	300,000	-
Accounts receivable, less allowance for doubtful accounts of $6,000 in 1975 and $24,000 in 1974 (Schedule XII)	72,000	218,000
Prepaid expenses	68,000	72,000
Total current assets	484,000	367,000
Investment (deficiency in assets) of subsidiaries, equity method (Schedule III)	658,000	(440,000)
Property and equipment, at cost (Notes 1 and 2 and Schedules V and VI):		
Land	210,000	210,000
Buildings and improvements	673,000	664,000
Furniture and equipment	405,000	352,000
Leasehold improvements	55,000	53,000
	1,343,000	1,279,000
Less accumulated depreciation and amortization	248,000	183,000
	1,095,000	1,096,000
Other assets:		
Cost in excess of net assets of businesses purchased (Note 1)	517,000	517,000
Receivable from wholly-owned subsidiaries (Schedule IV)	-	831,000
Other	21,000	20,000
	538,000	1,368,000
	$2,775,000	$2,391,000
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term borrowings	$ -	$ 9,000
Accounts payable and accrued expenses (Note 11)	262,000	376,000
Amounts due to third party payors within one year	8,000	-
Long-term debt due within one year (Note 2)	139,000	139,000
Income taxes payable	50,000	-
Total current liabilities	459,000	524,000
Payable to wholly-owned subsidiaries (Schedule IV)	102,000	-
Long-term debt due after one year (Note 2)	764,000	902,000
Reserve for litigation and claims	-	60,000
Commitments (Note 7)		
Stockholders' equity (Notes 3 through 6):		
Convertible preferred stock, par value $100 a share; authorized, issued and outstanding, 250 shares	25,000	25,000
New preferred stock, par value $50 a share, authorized 60,000 shares, 8% convertible series; issued and outstanding, 6,100 shares	305,000	305,000
Common stock, par value $.10 a share; authorized 2,000,000 shares; issued and outstanding, 938,682 shares	94,000	94,000
Additional paid-in capital	1,461,000	1,486,000
Deficit	(435,000)	(1,005,000)
	1,450,000	905,000
	$2,775,000	$2,391,000

*Restated to conform to 1975 classifications.

See notes to consolidated financial statements.

Comprehensive Care Corporation

Statement of Earnings

	Year Ended May 31 1975	1974
Revenues:		
Patient care (Note 1)	$ 886,000	$ 829,000
Other	82,000	91,000
	968,000	920,000
Costs and expenses:		
Operating	649,000	557,000
General, administrative and marketing	662,000	590,000
Depreciation and amortization	69,000	50,000
Interest	64,000	108,000
	1,444,000	1,305,000
Loss before income tax credit, equity in net earnings of subsidiaries and extraordinary credit	(476,000)	(385,000)
Income tax credit	242,000	196,000
	(234,000)	(189,000)
Loss from discontinued operations, net of related income tax credit	-	(9,000)
Loss before equity in net earnings of subsidiaries and extraordinary credit	(234,000)	(198,000)
Equity in net earnings of subsidiaries, exclusive of extraordinary credit	540,000	368,000
Earnings before extraordinary credit	306,000	170,000
Extraordinary credit - income tax reduction from utilization of net operating loss carryforward (Note 8)	264,000	200,000
Net earnings	$ 570,000	$ 370,000

See notes to consolidated financial statements.

Comprehensive Care Corporation

Statement of Changes in Financial Position

	Year ended May 31, 1975	Year ended May 31, 1974*
Source of Funds:		
Operations:		
Earnings before extraordinary credit	$ 306,000	$170,000
Items not requiring (providing) outlay of working capital:		
Depreciation and amortization of property and equipment	69,000	53,000
Equity in earnings of subsidiaries	(1,098,000)	(760,000)
Funds provided from (required for) operations before extraordinary credit	(723,000)	(537,000)
Extraordinary credit	264,000	200,000
Funds provided from (required for), including extraordinary credit	(459,000)	(337,000)
Net proceeds from sale of new preferred stock		299,000
Additional long-term debt due after one year	11,000	58,000
Decrease in amounts due from subsidiaries	933,000	134,000
Settlement of litigation and claims	(60,000)	107,000
Total funds provided	$ 425,000	$261,000
Application of Funds:		
Purchase of property, plant and equipment	$ 74,000	$138,000
Decrease in long-term debt due after one year	149,000	116,000
Dividends paid on new preferred stock	24,000	
Other	(4,000)	2,000
Increase in working capital	182,000	5,000
Total funds applied	$ 425,000	$261,000
Summary of Changes in Working Capital:		
Increase (decrease) in current assets:		
Cash	$ (33,000)	$ 40,000
Time deposits	300,000	
Accounts receivable	(146,000)	130,000
Prepaid expenses	(4,000)	8,000
	117,000	178,000
Increase (decrease) in current liabilities:		
Short-term borrowings	(9,000)	9,000
Accounts payable and accrued expenses	(114,000)	115,000
Amounts due to third party payors	8,000	
Long-term debt due within one year		49,000
Income taxes payable	50,000	
	(65,000)	173,000
Increase in working capital	$ 182,000	$ 5,000

*Restated to conform to 1975 classifications.
See notes to consolidated financial statements.

Neuro Affiliates Company

(A Joint Venture)

Balance Sheet

Assets

	May 31, 1975	May 31, 1974
Current Assets		
Cash, including $75,000 certificate of deposit in 1975	$122,000	$ 67,000
Accounts receivable, less allowance for doubtful accounts of $64,000 and $62,000	397,000	562,000
Prepaid expenses, supplies and other assets	52,000	77,000
Amounts due from affiliated companies, net (Note 4)	29,000	...
Total current assets	600,000	706,000
Equipment and Improvements, at cost (Notes 1 & 2)		
Furniture and equipment	177,000	168,000
Leasehold improvements	72,000	59,000
Construction in progress		2,000
	249,000	229,000
Less accumulated depreciation and amortization	67,000	37,000
	182,000	192,000
Deferred Costs (Note 1)	15,000	15,000
	$797,000	$913,000

Liabilities and Partners' Capital

	1975	1974
Current Liabilities		
Notes payable to affiliated company (Note 4)		$125,000
Accounts payable and accrued expenses	$101,000	109,000
Estimated amounts due under insurance programs (Note 3)	139,000	61,000
Amounts due to affiliated companies, net (Note 5)		331,000
Current portion of long-term debt (Note 2)	29,000	39,000
Total current liabilities	269,000	665,000
Long-Term Debt, less current portion shown above		29,000
Partners' Capital	528,000	219,000
	$797,000	$913,000

See accompanying notes to financial statements

Neuro Affiliates Company

(A Joint Venture)

Statement of Income and Partners' Capital

	For The Year Ended May 31	
	1975	1974
Revenues		
Patient care	$2,546,000	$2,062,000
Other	35,000	22,000
	2,581,000	2,084,000
Costs and Expenses		
Operating (Note 4)	1,783,000	1,512,000
General and administrative	460,000	347,000
Interest (Note 4)	29,000	68,000
	2,272,000	1,927,000
Net Income	309,000	157,000
Partners' Capital, at beginning of year	219,000	62,000
Partners' Capital, at end of year	$ 528,000	$ 219,000

See accompanying notes to financial statements

Neuro Affiliates Company

(A Joint Venture)

Statement of Changes in Financial Position

	For The Year Ended May 31 1975	1974
Financial Resources Were Provided By		
Operations:		
Net income	$309,000	$157,000
Changes to income not requiring working capital		
Depreciation of equipment and improvements	30,000	24,000
Amortization of deferred costs		15,000
Working capital provided by operations	339,000	196,000
Financial Resources Were Used For		
Decrease in long-term debt	29,000	41,000
Purchase of equipment and improvements	20,000	11,000
Increase In Working Capital	$290,000	$144,000
Changes In Components Of Working Capital		
Increase (decrease) in current assets:		
Cash	$ 55,000	$ (38,000)
Accounts receivable - net	(165,000)	320,000
Prepaid expenses, supplies and other assets	(25,000)	19,000
Amounts due from affiliated companies - net	29,000	
	(106,000)	301,000
Increase (decrease, in current liabilities:		
Notes payable to affiliated company	(125,000)	
Accounts payable and accrued expenses	(8,000)	(30,000)
Estimated amounts due under insurance program	78,000	41,000
Amounts due affiliated companies - net	(331,000)	145,000
Current portion of long-term debt	(10,000)	1,000
	(396,000)	157,000
Increase In Working Capital	$290,000	$144,000

See accompanying notes to financial statements

Neuro Affiliates Company

(A Joint Venture)

Notes to Financial Statements

May 31, 1975 and 1974

Note 1 - The Company and summary of significant accounting policies:

The Company - In November, 1972, Hospital Affiliates International, Inc. (HAII) of Nashville, Tennessee, and Comprehensive Care Corporation (CompCare) of Newport Beach, California, entered into an agreement to form a joint venture, Neuro Affiliates Company (NAC). NAC operates two psychiatric hospitals in California. Each partner manages one of the hospitals. The Woodview-Calabasas facility is managed by HAII and the Crossroads facility is managed by CompCare. The two partners share equally in the results of the joint venture operations.

Basis of Presentation - The financial statements include only those assets, liabilities and results of operations of the partners which relate to the business of Neuro Affiliates Company. No provision has been made for federal and state income taxes since these taxes are the responsibility of the partners.

Depreciation - The cost of equipment and leasehold improvements is depreciated or amortized over the estimated useful lives of the assets (five to twelve years) using the straight-line method of depreciation.

Deferred Costs - Deferred costs include pre-opening costs on Crossroads Hospital, which are being amortized on a straight-line basis over three years from January 1974.

Note 2 - Long-term debt:

Long-term debt consists of conditional sales contracts which are collateralized by equipment.

	1975	1974
Amounts due on contracts	$50,000	$107,000
Financing charges included therein	(21,000)	(39,000)
	29,000	68,000
Less amounts due within one year	29,000	39,000
Amounts due after one year	$ -0-	$ 29,000

Note 3 - 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 costs reports; however, certain cost reports have not been audited by the intermediaries. The Company believes that adequate reserves have been provided in the financial statements for these contingencies.

Note 4 - Transcations with partners:

Rentals - The Company reimburses annual rentals of $178,000 to Comprehensive Care Corporation and $67,000 to Woodview Hospital, a subsidiary of Hospital Affiliates International, Inc. for the use of hospital facilities.

Management fees - Costs and expenses include $27,000 paid to Comprehensive Care Corporation, and $73,000 paid to Hospital Affiliates International, Inc. for administrative and other services.

Interest expenses - Interest expense includes $11,000 in 1975 and $33,000 in 1974 paid to Hospital Affiliates International, Inc. for interest on notes payable and cash advances, at 3% above the prime rate.

Management is of the opinion that these transactions were executed for a consideration substantially equivalent to that which would have been obtained between wholly unrelated interests.

Additional Notes and Schedules

Furnished Pursuant

To The Requirements of Form 10-K

Comprehensive Care Corporation and Subsidiaries

Additional Notes to Consolidated Financial Statements

Years Ended May 31, 1975 and 1974

Note 10 - Supplementary Income Statement Information:

The following amounts were charged to costs and expenses:

	Company		Consolidated	
	1975	1974	1975	1974
Maintenance and repairs	$ 19,000	$19,000	$ 56,000	$ 55,000
Depreciation and amortization of property, plant and equipment	$ 69,000	$50,000	$120,000	$ 98,000
Amortization of intangible assets	$ -	$ 1,000	$ 29,000	$ 29,000
Taxes, other than income taxes:				
Payroll	$ 46,000	$40,000	$222,000	$164,000
Real and personal property	$ 34,000	$35,000	$ 89,000	$ 90,000
Other	$ 3,000	$ 3,000	$ 10,000	$ 6,000
Rents	$112,000	$96,000	$436,000	$411,000
Advertising costs	$ 3,000	$ 5,000	$ 79,000	$ 16,000

The following amounts were charged to discontinued operations:

	Company		Consolidated	
	1975	1974	1975	1974
Maintenance and repairs	$ -	$ 6,000	$ -	$ 6,000
Depreciation and amortization of property and equipment	$ -	$ 3,000	$ -	$ 3,000
Taxes, other than income taxes:				
Payroll	$ -	$ 24,000	$ -	$ 24,000
Real and personal property	$ -	$ 10,000	$ -	$ 10,000
Rents	$ -	$ 41,000	$ -	$ 41,000

There were no royalties or research and development costs paid during the above years.

Note 11 - Accounts Payable and Accrued Expenses:

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

Company		Consolidated	
1975	1974	1975	1974
$21,000	$20,000	$109,000	$61,000

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Schedule III

Comprehensive Care Corporation

Investments in, Equity in Earnings of, and Dividends Received from Affiliates

Year Ended May 31, 1975

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 (loss) of affiliates for the period	Additions: Other: Number of shares	Additions: Other: Amount	Deductions: Distribution of earnings (loss) by affiliates in which earnings (loss) 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 a share	320	($569,000)	$1,003,000	-	$ -	$ -	-	$ -	320	$439,000	$ -
Terracina Convalescent Hospital & Home, Inc. common stock, par value $100 a share	50	(24,000)	47,000						50	23,000	
Fort Worth Neuro-Psychiatric Hospital, Inc. common stock, par value $1 a share	10,002	188,000	(32,000)						10,002	156,000	
CAREUNIT, Inc. common stock, par value $1 a share	500	(35,000)	75,000						500	40,000	
		($440,000)	$1,098,000		$ -	$ -		$ -		$658,000	$ -

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Comprehensive Care Corporation

Investments in, Equity in Earnings of, and Dividends Received from Affiliates

Year Ended May 31, 1974

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 (loss) of affiliates for the period	Additions: Other: Number of shares	Additions: Other: Amount	Deductions: Distribution of earnings (loss) by affiliates in which earnings (loss) 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 a share	320	($1,313,000)	$744,000	-	$ -	$ -	-	$ -	320	($569,000)	$ -
Terracina Convalescent Hospital & Home, Inc. common stock, par value $100 a share	50	(79,000)	55,000						50	(24,000)	
Fort Worth Neuro-Psychiatric Hospital, Inc. common stock, par value $1 a share	10,002	192,000	(4,000)						10,002	188,000	
CAREUNIT, Inc. common stock, par value $1 a share			(27,000)	500	1,000 (9,000) (a)				500	(35,000)	
		($1,200,000)	$768,000		($8,000)	$ -		$ -		($440,000)	$ -

(a) Deficit at May 31, 1973, of a division of the parent company which incorporated during 1974.

Schedule III (Continued)

Comprehensive Care Corporation and Subsidiaries

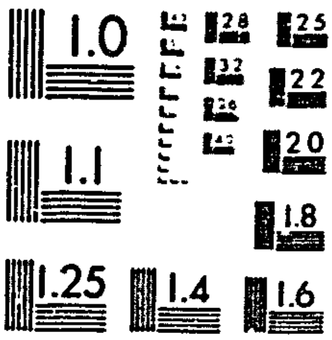
Investments in, Equity in Earnings of, and Dividends Received from Affiliates

Years Ended May 31, 1975 and 1974

Schedule III (Continued)

	Balance at beginning of period		Additions			Deductions					
				Other			Other		Balance at end of period		
Name of issuer and description of investment	Percent of owner-ship	Amount	Equity taken up in earnings (loss) of affiliates for the period	Percent of owner-ship	Amount	Distribution of earnings (loss) by affiliates in which earnings (loss) were taken up	Percent of owner-ship	Amount	Percent of owner-ship	Amount	Dividends received during the period from investments not accounted for by the equity method
Year Ended May 31, 1975:											
NPHS, Inc. investment in joint venture in Neuro Affiliates Company, a partnership	50%	$109,000	$155,000 (a)	-	$ -	$ -	-	$ -	50%	$264,000	$ -
Year Ended May 31, 1974:											
NPHS, Inc. investment in joint venture in Neuro Affiliates Company, a partnership	50%	$31,000	$78,000 (a)	-	$ -	$ -	-	$ -	50%	$109,000	$ -

(a) Share of joint venture earnings (loss) before taxes on income.



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Comprehensive Care Corporation

Indebtedness of and to Affiliates
Years Ended May 31, 1975 and 1974

Name of affiliate	Balance receivable (payable) at beginning of period	Balance receivable (payable) at end of period
Year Ended May 31, 1975:		
Amounts eliminated in consolidation:		
NPHS, Inc.	$962,000	$(16,000)
Terracina Convalescent Hospital & Home, Inc.	(52,000)	(36,000)
Fort Worth Neuro-Psychiatric Hospital, Inc.	(224,000)	(151,000)
CAREUNIT, Inc.	145,000	101,000
Total eliminated in consolidation	831,000	(102,000)
Amount not eliminated in consolidation:		
Neuro Affiliates Company (a)	23,000	45,000
Total indebtedness of and to affiliates	$854,000	$(57,000)
Year Ended May 31, 1974:		
Amounts eliminated in consolidation:		
NPHS, Inc.	$1,240,000	$962,000
Terracina Convalescent Hospital & Home, Inc.	(41,000)	(52,000)
Fort Worth Neuro-Psychiatric Hospital, Inc.	(234,000)	(224,000)
CAREUNIT, Inc.	-	145,000
Total eliminated in consolidation	965,000	831,000
Amount not eliminated in consolidation:		
Neuro Affiliates Company (a)	42,000	23,000
Total indebtedness of and to affiliates	$1,007,000	$854,000

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

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Comprehensive Care Corporation and Subsidiaries

Property, Plant and Equipment

Years Ended May 31, 1975 and 1974

Classification	Balance at beginning of period	Additions at cost	Sales, retirements and abandonments	Other changes	Balance at end of period
Company:					
Year ended May 31, 1975:					
Land	$ 210,000	$ -	$ -	$ -	$ 210,000
Buildings and improvements	664,000	9,000			673,000
Furniture and equipment	352,000	63,000	8,000	(2,000) (a)	405,000
Leasehold improvements	53,000	2,000			55,000
	$1,279,000	$ 74,000	$ 8,000	$(2,000)	$1,343,000
Year ended May 31, 1974:					
Land	$ 210,000	$ -	$ -	$ -	$ 210,000
Buildings and improvements	658,000	6,000			664,000
Furniture and equipment	227,000	126,000	1,000		352,000
Leasehold improvements	59,000	6,000	12,000		53,000
	$1,154,000	$138,000	$13,000	$ -	$1,279,000
Consolidated:					
Year ended May 31, 1975:					
Land	$ 216,000	$ -	$ -	$ -	$ 216,000
Buildings and improvements	664,000	9,000			673,000
Furniture and equipment	734,000	86,000	18,000		802,000
Leasehold improvements	211,000	39,000			250,000
	$1,825,000	$134,000	$18,000	$ -	$1,941,000
Year ended May 31, 1974:					
Land	$ 216,000	$ -	$ -	$ -	$ 216,000
Buildings and improvements	658,000	6,000			664,000
Furniture and equipment	589,000	156,000	11,000		734,000
Leasehold improvements	174,000	54,000	17,000		211,000
	$1,637,000	$216,000	$28,000	$ -	$1,825,000

(a) Net transfers to wholly-owned subsidiaries.

Comprehensive Care Corporation and Subsidiaries

Accumulated Depreciation of Property, Plant and Equipment

Years Ended May 31, 1975 and 1974

Classification	Balance at beginning of period	Additions charged to costs and expenses	Sales, retirements and abandonments	Other changes	Balance at end of period
Company:					
Year ended May 31, 1975:					
Buildings and improvements	$ 80,000	$18,000	$ -	$ -	$ 98,000
Furniture and equipment	91,000	44,000	2,000	(2,000) (a)	131,000
Leasehold improvements	12,000	7,000			19,000
	$183,000	$69,000	$2,000	$(2,000)	$248,000
Year ended May 31, 1974:					
Buildings and improvements	$ 62,000	$18,000	$ -	$ -	$ 80,000
Furniture and equipment	63,000	28,000			91,000
Leasehold improvements	17,000	7,000	12,000		12,000
	$142,000	$53,000	$12,000	$ -	$183,000
Charged to:					
Depreciation and amortization		$50,000			
Discontinued operations		3,000			
		$53,000			
Consolidated:					
Year ended May 31, 1975:					
Buildings and improvements	$ 80,000	$ 18,000	$ -	$ -	$ 98,000
Furniture and equipment	294,000	79,000	8,000		365,000
Leasehold improvements	63,000	23,000			86,000
	$437,000	$120,000	$8,000	$ -	$549,000
Year ended May 31, 1974:					
Buildings and improvements	$ 62,000	$ 18,000	$ -	$ -	$ 80,000
Furniture and equipment	239,000	64,000	9,000		294,000
Leasehold improvements	61,000	19,000	17,000		63,000
	$362,000	$101,000	$26,000	$ -	$437,000
Charged to:					
Depreciation and amortization		$ 98,000			
Discontinued operations		3,000			
		$101,000			

(a) Net transfers to wholly-owned subsidiaries.

Schedule VII

Comprehensive Care Corporation

Intangible Assets, Deferred Research and Development Expenses, Preoperating Expenses and Similar Deferrals

Years Ended May 31, 1975 and 1974

Classification	Balance at beginning of period	Additions at cost	Deductions		Balance at close of period
			Charged to costs and expenses	Charged to other accounts	
Company:					
Year ended May 31, 1975:					
Cost in excess of net assets of purchased businesses	$517,000	$ -	$ -	$ -	$517,000
Year ended May 31, 1974:					
Cost in excess of net assets of purchased businesses	$517,000				$517,000
Consolidated:					
Year ended May 31, 1975:					
Cost in excess of net assets of purchased businesses	$517,000				$517,000
Lease acquisition costs	$362,000		$29,000		$333,000
Year ended May 31, 1974:					
Cost in excess of net assets of purchased businesses	$517,000				$517,000
Lease acquisition costs	$391,000		$29,000		$362,000

Schedule XII

Comprehensive Care Corporation and Subsidiaries

Valuation and Qualifying Accounts and Reserves

Years Ended May 31, 1975 and 1974

Description	Balance at beginning of period	Additions: Charges to costs and expenses: Revenue	Additions: Charges to costs and expenses: Discontinued operations	Additions: Charged to other accounts (a)	Deductions: Write-off 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, 1975	$ 24,000	$ 1,000	$ -	$ 2,000	$ 13,000	$8,000 (b)	$ 6,000
Year ended May 31, 1974	$ 5,000	$ 1,000	$25,000	$ 6,000	$ 13,000	$ -	$ 24,000
Consolidated:							
Year ended May 31, 1975	$187,000	$272,000	$ -	$38,000	$295,000	$8,000 (b)	$194,000
Year ended May 31, 1974	$135,000	$130,000	$25,000	$18,000	$121,000	$ -	$187,000

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

(b) Amount represents adjustments of amounts previously credited to this reserve and charged to revenue.

Comprehensive Care Corporation and Subsidiaries

Calculation of Primary Earnings Per Share

	Year ended May 31				
	1975	1974	1973	1972	1971
Net earnings (loss) applicable to common stock (a)	$546,000	$368,000	$489,000	($2,558,000)	$309,000
Average number of shares of common stock and common stock equivalents outstanding:					
Average number of shares of common stock outstanding	938,682	916,599	915,381	907,958	865,782
Common stock equivalents - convertible preferred stock (b)	7,813	7,813	7,813		7,813
Dilutive effect of stock options and warrants after application of treasury stock method (c)	—	—	—	—	—
Average number of shares of common stock and common stock equivalents outstanding	946,495	924,412	923,194	907,958	873,595
Primary earnings (loss) per share	$.58	$.40	$.53	($2.82)	$.35

Calculation of Fully Diluted Earnings Per Share

	Year ended May 31				
	1975	1974	1973	1972	1971
Net earnings (loss) applicable to common stock on a fully diluted basis	$570,000	$370,000	$489,000	($2,558,000)	$309,000
Average number of shares outstanding on a fully diluted basis:					
Shares used in calculating primary earnings per share	946,495	924,412	923,194	907,958	873,595
Additional average number of common stock outstanding assuming conversion of new preferred stock	305,000	33,098			
Dilutive effect of stock options and warrants after application of treasury stock method (c)	—	—	—	—	—
Average number of shares outstanding on a fully diluted basis	1,251,495	957,510	923,194	907,958	873,595
Fully diluted earnings (loss) per share	$.46	$.39	$.53	($2.82)	$.35

		1975	1974
(a)	Net earnings per Consolidated Summary of Earnings	$570,000	$370,000
	Less 6% dividend on new preferred stock	24,000	2,000
		$546,000	$368,000

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

(c) The dilutive effect of stock options and warrants was less than 3% for 1971 and 1975, therefore, this effect was not shown above. Stock options and warrants are antidilutive in 1972, 1973 and 1974.

Exhibit I

END