C567825

D

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 31,1976 Commission file number 0-5751

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)

947,682 shares of Common Stock outstanding as of the close of the period covered by this Report.

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 x 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, 1976, 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 nineteen general hospitals and one HOPE (Hospital Psychiatric Environment) program in a general hospital.

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 76-bed facility located in Redlands, California; and Bay View is a 70-bed facility located in Costa Mesa, California. As of July 31, 1976, Registrant assigned its interest in Terracina (consisting of a lease of the facility and certain furniture, furnishings and equipment) to Beverly Enterprises, a health care management corporation, as part of a transaction wherein Registrant sublet from Beverly Enterprises an alcoholic rehabilitation facility located in Newport Beach, California and purchased the furniture, furnishings and equipment located therein.

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, 1976 are located in the following general hospitals:

California

Alta Bates Hospital
Berkeley, California

Mary's Help Hospital
Daly City, California

Memorial Hospital of Glendale
Glendale, California

Mercy San Juan Hospital
Carmichael, California

Ontario Community Hospital
Ontario, California

Parkwood Community Hospital
Canoga Park, California

St. Luke Hospital of Pasadena
Pasadena, California

South Coast Community
Hospital
South Laguna, California

Viewpark Community Hospital
Los Angeles, California

Colorado

Mercy Hospital
Denver, Colorado

Missouri

Christian Hospital Northwest
Florissant, Missouri

DePaul Hospital
St. Louis, Missouri

New Mexico

Lovelace-Bataan Medical Center
Albuquerque, New Mexico

Ohio

St. Francis Hospital
Cincinnati, Ohio

Oregon

Gresham Community Hospital
Gresham, Oregon

Physicians and Surgeons Hospital
Portland, Oregon

Texas

Brookhaven Medical Center
Dallas, Texas

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.

The HOPE program unit which Registrant managed at May 31, 1976 is located in the South Coast Community Hospital in South Laguna, California. Under a contractual arrangement similar to that of the CAREUNIT program, the HOPE program delivers mental health services through the general hospital. This is a pilot program that was initiated in November 1975.

(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, 1976, Registrant employed approximately 540 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,				
	1976	1975*	1974*	1973*	1972
Revenues:					
Operating (Note B)	$10,632,000	$7,956,000	$5,959,000	$4,275,000	$ 2,762,000
Other	142,000	120,000	85,000	58,000	200,000
	10,774,000	8,076,000	6,044,000	4,333,000	2,962,000
Costs and expenses:					
Operating	6,542,000	5,434,000	4,122,000	3,110,000	2,466,000
General, administrative and marketing	2,919,000	1,793,000	1,294,000	909,000	993,000
Depreciation and amortization	171,000	135,000	110,000	98,000	92,000
Interest	80,000	91,000	153,000	121,000	119,000
	9,712,000	7,453,000	5,679,000	4,238,000	3,670,000
Earnings (loss) from continuing operations before taxes on income	1,062,000	623,000	365,000	95,000	(708,000)
Taxes on income (credit) (Note E)	545,000	317,000	186,000	44,000	(72,000)
Earnings (loss) from continuing operations	517,000	306,000	179,000	51,000	(636,000)
Losses from discontinued operations, net of income tax credits (Note E)	-	-	(9,000)	(14,000)	(547,000)
Earnings (loss) before extraordinary items	517,000	306,000	170,000	37,000	(1,183,000)
Extraordinary items:					
Income tax reduction from utilization of net operating loss carryforward (Note E)	451,000	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 on 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 of $89,000 - (1973) (Note H)				(82,000)	(1,175,000)
	451,000	264,000	200,000	452,000	(1,375,000)
Net earnings (loss)	$ 968,000	$ 570,000	$ 370,000	$ 489,000	$(2,558,000)

Comprehensive Care Corporation and Subsidiaries

Consolidated Summary of Operations

(Continued)

	Year ended May 31,				
	1976	1975*	1974*	1973*	1972
Earnings (loss) per common and common equivalent share (Note F)					
Primary:					
Earnings (loss) from continuing operations	$ .52	$.30	$.19	$.06	$ (.70)
Losses from discontinued operations, net of income tax credits	-	-	(.01)	(.02)	(.60)
Extraordinary items	.48	[illegible]	.22	.49	(1.52)
Net earnings (loss)	$1.00	$.33	$.40	$.53	$(2.82)
Fully diluted:					
Earnings (loss) from continuing operations	$.42	$.25	$.19	$.06	$ (.70)
Losses from discontinued operations, net of income tax credits	-	-	(.01)	(.02)	(.60)
Extraordinary items	.36	.21	.21	.49	(1.52)
Net earnings (loss)	$.78	$.46	$.39	$.53	$(2.82)

* Restated, see Note C.
See notes to summary of operations.

Item 2. Summary of Operations (continued):

Notes to Summary of Operations

Note A - Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (all wholly-owned) and effective May 31, 1976, the Company's 50% interest in the accounts of a joint venture partnership previously accounted for by the equity method of accounting. All significant intercompany accounts and transactions have been eliminated in consolidation.

The losses from discontinued operations, net of income tax credits have been segregated in the consolidated summary of operations. The revenues and losses from these operations are summarized as follows:

	Year ended May 31		
	1974	1973	1972
Revenues	$577,000	$440,000	$1,71[illegible],000
Losses, net of income tax credits	$9,000	$14,000	$547,000

Note B - Operating Revenues

Operating revenue includes amounts from third-party programs under 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. Differences between final settlement and estimated provisions are reflected in operating revenue in the year finalized.

Adjustments related to prior years decreased revenue in 1972 by $330,000 and increased revenue in 1973 and 1974 by $144,000 and $146,000 respectively. Adjustments in 1975 and 1976 were not significant.

Note C - Change in Accounting for 50% Interest in a Joint Venture

As indicated in Note 1, the Company changed its method of accounting for its 50% interest in a joint venture partnership from the equity method to consolidating the Company's 50% interest in the assets, liabilities, income and expense of the joint venture. Prior years financial statements have been restated to reflect this change in accounting. The accounting change has no effect on earnings.

The accounting change was made due to the significance of the operations of the joint venture as related to the Company's total operations. Accordingly, it is the opinion of management that inclusion of the Company's 50% interest in the joint venture in the consolidated financial statements more clearly reflects the significance of the joint venture to the Company.

The assets and liabilities of the joint venture partnership included in the consolidated balance sheet are as follows:

	Company's 50% Share			
	1976	1975	1974	1973
Assets				
Current assets	$424,000	$301,000	$353,000	$203,000
Property and equipment (net)	95,000	[illegible],000	96,000	102,000
Other assets	3,000	7,000	8,000	15,000
	$422,000	$399,000	$457,000	$[illegible]
Liabilities and partner's equity				
Current liabilities	$[illegible]6,000	$135,000	$333,000	$254,000
Long-term debt [illegible]				
[illegible]	-	-	14,000	35,000
[illegible]	[illegible],000	[illegible]	[illegible]	[illegible],000
	$422,000	$399,[illegible]	$457,[illegible]	$320,000

The operating results of the joint venture partnership included in the consolidated statement of earnings are as follows:

	Company's 50% Share			
	1976	197[illegible]	1974	1973*
Revenues:				
[illegible]	$1,703,000	$1,2[illegible],000	$1,0[illegible],000	$443,000
Other	30,000	[illegible]	[illegible],000	4,000
	1,733,000	[illegible]	1,0[illegible],000	[illegible]
Costs and expenses				
Operating	[illegible]	[illegible]77,000	[illegible],000	335,000
General, administrative and marketing	458,000	[illegible]30,000	1[illegible],000	113,000
Depreciation and amortization	19,000	15,000	12,000	6,000
Interest	11,000	14,000	[illegible],000	1,000
	[illegible],402,000	1,1[illegible],000	9[illegible],000	455,000
Earnings (loss) before taxes on income	$ 330,000	$ 15[illegible],000	$ 79,000	$ (8,000)

* Results of operations for the seven months ended May 31, 197[illegible].

Note [illegible] [illegible] Costs:

[illegible] in connection with [illegible] hospitals, were deferred and [illegible] 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 [illegible] which culminated in the [illegible] 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,[illegible]	55,000	220,000
1972	212,[illegible]	74,000	138,000
	$52[illegible]	$139,000	$387,000

[illegible]

[illegible] consolidated [illegible] income [illegible] subject to income [illegible]

[illegible] 31, 19[illegible], the [illegible] accounting policy for project development and preopening [illegible] necessity for the [illegible] taxes on income [illegible] in 1971 included [illegible]

[illegible] deferred taxes [illegible]

[illegible] (credit) from continuing operations consists of the following:

	Years ended May 31				
	1976	1975	1974	1973	1972
Federal income taxes (credit)	$450,000	$2[illegible],000	$154,000	$37,000	$(72,000)
State income taxes	95,000	5[illegible],000	32,000	7,000	-
	$[illegible]	$[illegible]	$[illegible]	$[illegible]	$(72,000)

[illegible] discontinued operations are as follows:

Years ended May 31				
19[illegible]	19[illegible]	19[illegible]	1973	1972
$ [illegible]	[illegible]	[illegible]	[illegible]	$[illegible]

[illegible] May 31, 19[illegible], [illegible] full, utilize [illegible] federal income tax carry-forward [illegible] for financial and income tax reporting.

[illegible] reduction of the tax provision in the year utilized.

Notes to Summary of Operations

(Continued)

The Company has investment tax credit carryforwards at May 31, 1976 of approximately $31,000.

A reconciliation between total income taxes and the amount computed by applying statutory federal income tax rate of 48% to earnings from continuing operations be[illegible] es o[illegible] [illegible] follows:

	Year ended May 31				
	1976	1975	1974	1973	1972
St[illegible] tax rate ap[illegible] to pre[illegible] [illegible]	$110,000	$299,000	$175,000	$47,000	
Add (deduct)					
State income taxes net of federal tax benefit	49,000	28,000	15,000	3,000	
[illegible]	(14,[illegible])	([illegible])	([illegible])	([illegible])	
	$[illegible]	$[illegible]	$[illegible]	$[illegible]	

[illegible]

[illegible]

[illegible] common [illegible] have been computed by [illegible] the 8% new preferred [illegible] by [illegible] of common stock [illegible] convertible preferred [illegible] as follows:

	19[illegible]	19[illegible]	19[illegible]	1973	1972
[illegible]	9[illegible],[illegible]	9[illegible]	9[illegible]	915,3[illegible]	907,956
[illegible] preferred stock	[illegible]	7,8[illegible]	7,813	7,813	–
	[illegible],256	[illegible]	[illegible]	9[illegible]	$907,9[illegible]
[illegible] dividends	$24,000	$24,000	$2[illegible]	$ –	$ –

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 years as follows:

	1976	1975	1974	1973	1972
Common stock	93[illegible],[illegible]	928,682	916,509	915,3[illegible]1	907,9[illegible]
Convertible preferred stock	[illegible],[illegible]	7,813	7,813	7,813	–
8% new [illegible]	[illegible]	305,[illegible]	33,[illegible]	–	–
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] cont[illegible] 1976 and 19[illegible] [illegible] 197[illegible], 197[illegible] and 197[illegible], the effect of [illegible] ant[illegible] dilutive.

No cash dividends have been paid on common shares. Shareholders of the convertible preferred stock were not entitled to cash dividends. Dividends of $24,000 were paid on 8% new preferred shares in 1975 and 1976.

Notes to Summary of Operations

(Continued)

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.

[illegible] Facility:

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

[illegible] 31, [illegible], the [illegible] to [illegible] [illegible]:

[illegible]	$ [illegible]00,000
[illegible] repairs and maintenance of building and grounds	353,000
[illegible] for [illegible] of property, plant and equipment	200,000
Other	[illegible],000
	$1,[illegible],000

[illegible] during the year ended May 31, 1973, [illegible]:

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 [illegible] Claims:

[illegible]

Managements' Discussion and Analysis of

the Summary of Operations

1976

The Company's revenues increased significantly in 1976, rising $2,698,000 or 33% over 1975 revenues. Approximately two-thirds of the revenue increase was attributable to increased patient census which resulted from opening new alcoholic rehabilitation and psychiatric care units and increased utilization in all operating units; alcoholic rehabilitation, psychiatric care (including the Company's 50% interest in joint venture operations) and long-term care. The remainder of the revenue increase resulted from rate increases which were effected to absorb higher costs and expenses, primarily salaries and wage increases.

Costs and expenses related to new operating units opened during the year in addition to the rising costs and expenses noted above resulted in costs and expenses increasing $2,259,000 in 1976.

All operating divisions contributed to the increase in earnings in 1976.

Payroll taxes were up substantially in 1976 primarily due to the hiring of employees for the new operating units.

The increase in rent expense in 1976 was due to rises in facilities rent under provisions in leases containing escalations based on the Consumers Price Index, additional facility space and increased equipment rental usage.

Since the Company leases facilities that contain clauses for escalations based on the Consumers Price Index, future rent expense will continue to increase.

The increase in advertising is attributable to expanded use of newspaper, television and other media to inform the public of health care services available from the Company. Advertising will continue in the future and will increase as additional operating units are opened.

1975

Revenues of the Company in 1975 increased by $2,032,000 or 34% more than 1974 revenues. Increased patient census resulting from opening new alcoholic rehabilitation units and increased utilization in all operating units; alcoholic rehabilitation, psychiatric care (restated to include the Company's 50% interest in joint venture operations) and long-term care accounted for approximately 62% of the total increase in revenues. Rate increases to offset higher costs and expenses, particularly salaries and wages increases accounted for the balance of the increase in revenue.

Costs and expenses related to new operating units opened in addition to rising costs and expenses resulted in 1975 costs and expenses increasing by $1,774,000.

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 rehabilitation division, higher salary and wage levels for withholding of taxes and higher tax rates.

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

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 increase in advertising is attributable to managements' decision to utilize newspaper and other media to inform the public of health care services available from the Company.

1974

Revenues increased in 1974 as the result of higher census levels, especially in the psychiatric division (restated to include the Company's 50% interest in joint venture operations) rate increases and retroactive Medicare and Blue Cross adjustments.

After giving effect to increased costs and expenses attributable to increased volume and inflation, earnings from continuing operations before taxes on income increased by $270,000. Retroactive Medicare and Blue Cross adjustments accounted for $146,000 of this increase.

Start-up costs relative to the alcoholic rehabilitation 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 1974 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 (restated to include the Company's 50% interest in joint venture operations) 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.

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 at 230 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 1976. On or about October 1, 1976, Registrant will move its executive offices to the Fourth Floor at 660 Newport Center Drive. This new facility will consist of approximately 13,180 square feet and will be leased for $8,557 per month under a lease which expires in 1986. Registrant owns Bay View Convalescent Hospital and Cilmar 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	7,753
Bayview Manor 350 Bay Street Costa Mesa, California 92627	1996	4,375

---

* 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%

---

* Subsidiaries included in consolidated financial statements.

Item 5. Pending Legal Proceedings.

Registrant was not engaged in any material legal proceedings as of May 31, 1976.

Item 6. Increases and Decreases in Outstanding Securities.

(a) Title of Class

(1) Preferred Stock, $100 par value:		
Outstanding at June 1, 1975		250
	(2) Redeemed for cash on November 11, 1975	(250)
Outstanding at May 31, 1976		-0-

Title of Class

(1) New Preferred Stock, $50 par value:	
Outstanding at June 1, 1975 and May 31, 1976	6,100

Title of Class

(1) Common Stock, $.10 par value:		
Outstanding at June 1, 1975		938,682
(2)	(i) Issued for cash upon exercise of qualified stock option	500
	(ii) Issued in cancellation of indebtedness	8,500
Outstanding at May 31, 1976		947,682

(b) (1) The transaction referred to in item (i) above involved the sale and issuance by Registrant, on December 18, 1975 of 500 shares of its Common Stock to one employee of Registrant for a cash consideration of $875. The transaction referred to in item (ii) above involved the sale and issuance by Registrant on April 19, 1976 of 8,500 shares of its Common Stock to three individuals and a corporation in cancellation of $23,766 of indebtedness of Registrant to them under a promissory note containing conversion rights. At the time of exercise or conversion, respectively, Registrant's Common Stock was quoted in the Over-The-Counter market at $3.00 bid, $3.50 asked; and $4.62 bid, $5.12 asked, respectively. No brokers, underwriters or finders were involved in either of these transactions. Registrant obtained such evidence (including written representations of the issuees) as it deemed necessary to assure itself that these securities were purchased for investment and not with a view to distribution; and therefore determined that the offer and sale of these securities was exempt from the registration and prospectus delivery requirements of the Act pursuant to Section 4(2) thereof as transactions not involving any public offering.

The certificates evidencing the securities issued in such transaction were endorsed with the following legend:

> "No sale, offer to sell or transfer of the shares represented by this certificate shall be made unless a registration statement under the Federal Securities Act of 1933, as amended, with respect to such shares is then in effect or an exemption from the registration requirements of such act is then in fact applicable to such shares."

In addition, stop transfer instructions were given to Registrant's Transfer Agent with respect to such securities.

	Title of Class	
	(1) Qualified Stock Options:	
Outstanding at	June 1, 1975	45,650
	(2) Exercised	(500)
Outstanding at	May 31, 1976	45,150

	Title of Class	
	(1) Warrants	
Outstanding at	June 1, 1975	17,561
	(2) Expired by terms of warrant	(13,499)
Outstanding at	May 31, 1976	4,062

Item 7. Approximate Number of Equity Security Holders.

Title of Class	Number of Record Holders as of May 31, 1976
Common Stock, par value $.10 per share	665
New Preferred Stock, par value $50 per share	20

Item 8. Executive Officers of the Registrant.

Name	Office	Age
B. Lee Karns	President	46
Leon G. Van Luchene	Senior Vice President, Finance	44
William James Nicol	Administrative Vice President, Secretary and Treasurer	32
Edward A. Johnson	Vice President, Psychiatric Division	31
A. Joel Klein	Vice President, Western CAREUNIT Division	36
Robert L. Kasselmann	Vice President, Midwest CAREUNIT Division	40
Harold M. Voorheis	Vice President, Marketing	33
Marjorie McAdam	Vice President Public Relations	41

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. 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.

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.

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

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.

Ms. McAdam 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. Ms. McAdam terminated her employment with Registrant in July 1976.

Item 9. <u>Indemnification of Directors and Officers</u>.

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 hereof contains 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, 1976.

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,
Secretary and Treasurer

DATED: August 24, 1976.

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, 1976

Comprehensive Care Corporation and Subsidiaries

Financial Statements and Schedules

Years Ended May 31, 1976 and 1975

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, 1976 and 1975, 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 examinations were 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, 1976 and 1975, the results of their operations and the changes in their financial position for the years 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 consistent basis after retroactive adjustment for the change, with which we concur, in accounting for the interest in the joint venture partnership as described in Note 2 to the financial statements.

Moss, Adams & Co.
Moss, Adams & Co.

Newport Beach, California
July 14, 1976

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, 1976 and 1975, and the related statements of income and partners' capital, and changes in financial position for the years then ended. Our examinations were 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, 1976 and 1975, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Moss, Adams & Co.
Moss, Adams & Co.

Newport Beach, California
July 14, 1976

Comprehensive Care Corporation and Subsidiaries

Consolidated Balance Sheet

	May 31, 1976	May 31, 1975*
Assets		
Current assets:		
Cash, including time deposits of $401,000, 1976 and $338,000, 1975	$ 733,000	$ 414,000
Accounts receivable, less allowance for doubtful accounts of $209,000, 1976 and $226,000, 1975 (Schedule XII)	1,653,000	1,326,000
Prepaid expenses	484,000	240,000
Total current assets	2,870,000	1,980,000
Property and equipment, at cost (Notes 1 and 3 and Schedules V and VI):		
Land	216,000	216,000
Buildings and improvements	676,000	673,000
Furniture and equipment	1,002,[illegible]	891,000
Leasehold improvements	363,000	286,000
	2,257,000	2,066,000
Less accumulated depreciation and amortization	729,000	583,000
	1,528,000	1,483,000
Other assets:		
Lease acquisition costs	304,000	333,000
Cost in excess of net assets of businesses purchased (Note 1 and Schedule VII)	517,000	517,000
Other	124,000	74,000
	945,000	924,000
	$5,343,000	$4,387,000
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (Note 9)	$1,013,000	$ 738,000
Payable to third party payors within one year	602,000	681,000
Long-term debt payable within one year (Note 3)	151,000	176,000
Income taxes payable	65,000	50,000
Cash dividends payable	72,000	-
Total current liabilities	1,903,000	1,645,000
Payable to third party payors after one year	-	33,000
Deferred gain on sale and leaseback of property	145,000	152,000
Long-term debt due after one year (Note 3)	975,000	1,107,000
Commitments (Notes 5 and 7)		
Stockholders' equity (Note 4):		
Convertible preferred stock, $100 par value; authorized, issued and outstanding, 250 shares, 1975	-	25,000
New preferred stock, $50 par value; authorized 60,000 shares; 8% convertible series; issued and outstanding, 6,100 shares	305,000	305,000
Common stock, $.10 par value; authorized 2,000,000 shares; issued and outstanding 947,682 shares, 1976 and 938,682 shares, 1975	95,000	94,000
Additional paid-in capital	1,459,000	1,461,000
Retained earnings (deficit)	461,000	(435,000)
	2,320,000	1,450,000
	$5,343,000	$4,387,000

* Restated, see Note 2.

See notes to consolidated financial statements.

Comprehensive Care Corporation and Subsidiaries

Consolidated Statement of Earnings

	Year ended May 31, 1976	Year ended May 31, 1975*
Revenues:		
Operating (Note 1)	$10,632,000	$7,956,000
Other	142,000	120,000
	10,774,000	8,076,000
Costs and expenses:		
Operating	6,542,000	5,434,000
General, administrative and marketing	2,919,000	1,793,000
Depreciation and amortization	171,000	135,000
Interest	80,000	91,000
	9,712,000	7,453,000
Earnings before taxes on income and extraordinary credit	1,062,000	623,000
Taxes on income (Note 6)	545,000	317,000
Earnings before extraordinary credit	517,000	306,000
Extraordinary credit, income tax reduction from utilization of net operating loss carryforward (Note 6)	451,000	264,000
Net earnings	$ 968,000	$ 570,000
Earnings per common and common equivalent share: (Note 1)		
Primary:		
Earnings before extraordinary credit	$ .52	$.30
Extraordinary credit	.48	.28
Net earnings	$1.00	$.58
Fully diluted:		
Earnings before extraordinary credit	$.42	$.25
Extraordinary credit	.36	.21
Net earnings	$.78	$.46

* Restated, see Note 2.
See notes to consolidated financial statements.

Comprehensive Care Corporation and Subsidiaries

Consolidated Statement of Stockholders' Equity

	Convertible Preferred Stock		New Preferred Stock 8% Convertible		Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount		
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 stock							(24,000)	
Other							(1,000)	
Balance, May 31, 1975	250	25,000	6,100	305,000	938,682	94,000	1,461,000	(435,000)
Redemption of convertible preferred stock	(250)	(25,000)					(2,000)	
Conversion of long-term debt into common stock					8,500	1,000	23,000	
Exercise of employees' stock options					500		1,000	
Net earnings								968,000
Dividends paid on 8% new preferred stock							(24,000)	
Dividends declared on:								
8% new preferred stock								(24,000)
Common stock								(48,000)
Balances, May 31, 1976	-	$ -	6,100	$305,000	947,682	$95,000	$1,459,000	$ 461,000

See notes to consolidated financial statements.

Comprehensive Care Corporation and Subsidiaries

Consolidated Statement of Changes in Financial Position

	Year ended May 31, 1976	Year ended May 31, 1975*
Financial Resources Provided by:		
Operations		
Earnings before extraordinary credit	$ 517,000	$306,000
Items not requiring outlay of working capital:		
Depreciation and amortization of property and equipment	171,000	135,000
Amortization of leasehold costs and other deferred charges	37,000	22,000
Working capital provided by operations	725,000	463,000
Extraordinary credit	451,000	264,000
Additional long-term debt due after one year	38,000	19,000
Stock issued on conversion of long-term debt	24,000	-
	1,238,000	746,000
Financial Resources Used for:		
Purchases of property and equipment	223,000	144,000
Reduction of long-term debt	170,000	196,000
Settlement of litigation and claims	-	60,000
Reduction of payable to third party payors after one year	33,000	50,000
Cash dividends on common and new preferred stock	96,000	24,000
Redemption of convertible preferred stock	27,000	-
Other applications	57,000	3,000
	606,000	477,000
Increase in Working Capital	$ 632,000	$269,000
Summary of Changes in Components of Working Capital		
Increase (decrease) in current assets:		
Cash	$319,000	$294,000
Accounts receivable	327,000	(46,000)
Prepaid expenses	244,000	(7,000)
	890,000	241,000
Increase (decrease) in current liabilities:		
Short-term borrowing	-	(237,000)
Accounts payable and accrued liabilities	275,000	(89,000)
Payable to third party payors within one year	(79,000)	252,000
Long-term debt payable within one year	(25,000)	(4,000)
Income taxes payable	15,000	50,000
Cash dividends payable	72,000	-
	258,000	(28,000)
Increase in Working Capital	$632,000	$269,000

* Restated, see Note 2.
See notes to consolidated financial statements.

Comprehensive Care Corporation and Subsidiaries

Notes to Consolidated Financial Statements

May 31, 1976 and 1975

Note 1 Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (all wholly-owned) and effective May 31, 1976, the Company's 50% interest in the accounts of a joint venture partnership previously accounted for by the equity method of accounting. All significant intercompany accounts and transactions have been eliminated in consolidation.

Operating Revenues

Operating revenue includes amounts from third-party programs under 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. Differences between final settlement and estimated provisions are reflected in operating revenue in the year finalized.

Property and Equipment

Depreciation and amortization of property and equipment is computed on the straight-line method over the estimated useful lives of the related assets, 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. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred and major betterments are capitalized. Cost of property disposed of and related accumulated depreciation is removed from the accounts and gains or losses are reflected in earnings.

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 reduction in value.

Lease acquisition costs 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, 1976 are $284,000 and $20,000 respectively.

Project Development and Preopening Costs

Expenditures for project development and preopening costs are expensed as incurred.

Investment Tax Credits

Investment tax credits are applied as a reduction of the tax provision in the year utilized.

Comprehensive Care Corporation and Subsidiaries

Notes to Consolidated Financial Statements

May 31, 1976 and 1975

(Continued)

Deferred Gain on Sale and Leaseback of Property

The gain realized on the sale and leaseback of a hospital facility is taken into income by straight-line amortization over the term of the lease which expires in 1996.

Earnings Per Share

Primary earnings per common and common equivalent share have been computed by dividing earnings net of cash dividends paid on the 8% new preferred shares by the weighted average number of common shares and equivalent convertible preferred shares outstanding during the year.

Fully diluted earnings per common and common equivalent share has been computed by dividing earnings by the weighted average number of common shares, equivalent convertible preferred shares and equivalent 8% new preferred shares outstanding during the year.

Stock options, warrants and rights were not dilutive in 1976 or in 1975.

Note 2 Change in Accounting for 50% Interest in a Joint Venture

As indicated in Note 1, the Company changed its method of accounting for its 50% interest in a joint venture partnership from the equity method to consolidating the Company's 50% interest in the assets, liabilities, income and expense of the joint venture. Prior years financial statements have been restated to reflect this change in accounting. The accounting change has no effect on earnings.

The accounting change was made due to the significance of the operations of the joint venture as related to the Company's total operations. Accordingly, it is the opinion of management that inclusion of the Company's 50% interest in the joint venture in the consolidated financial statements more clearly reflects the significance of the joint venture to the Company.

The assets and liabilities of the joint venture partnership included in the consolidated balance sheet are as follows:

	Company's 50% Share	
	1976	1975
Assets		
Current assets	$324,000	$301,000
Property and equipment (net)	95,000	91,000
Other assets	3,000	7,000
	$422,000	$399,000
Liabilities and partner's equity		
Current liabilities	$156,000	$135,000
Partner's equity	266,000	264,000
	$422,000	$399,000

The operating results of the joint venture partnership included in the consolidated statement of earnings are as follows:

	Company's 50% Share	
	1976	1975
Revenues		
Operating	$1,703,000	$1,273,000
Other	30,000	18,000
	1,733,000	1,291,000
Costs and expenses		
Operating	914,000	877,000
General, administrative and marketing	458,000	230,000
Depreciation and amortization	19,000	15,000
Interest	11,000	14,000
	1,402,000	1,136,000
Earnings before taxes on income	$ 331,000	$ 155,000

Note 3 Long-Term Debt

Long-term debt consists of the following:

	1976	1975
6½% to 10% notes collateralized by trust deeds, payable in monthly installments with maturity dates from 1980 through 1993	$ 528,000	$ 576,000
Note payable to Small Business Administration, uncollateralized, bearing interest at 3% with maturity in 2002	347,000	347,000
6% to 8½% unsecured notes payable in quarterly installments with maturity dates from 1976 through 1983	153,000	220,000
Furniture and equipment contracts	72,000	124,000
Other	26,000	16,000
	1,126,000	1,283,000
Less amounts due within one year	151,000	176,000
	$ 975,000	$1,107,000

Included in the furniture and equipment contracts for 1975 is the Company's 50% interest of joint venture indebtedness of $14,000, all of which is due within one year.

Annual maturities of long-term debt for the next five years amount to $151,000 in 1977, $127,000 in 1978, $117,000 in 1979, $91,000 in 1980 and $60,000 in 1981.

Note 4 Stockholders' Equity

Convertible Preferred Stock

In October, 1975, the Company redeemed 250 shares of its convertible preferred stock, par value $100, representing all of the then outstanding shares of the class, at the redemption price of $100 per share or an aggregate amount of $25,000. Such shares were retired at this time.

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 a 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.

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.

The following summary presents changes during the year and other information relating to the Company's qualified stock option plan:

	Number of Shares	Option Price Per Share	Option Price Aggregate
Options outstanding at May 31, 1975 (43,325 shares exercisable)	45,650	$1.75-$3.50	$109,000
Options exercised	(500)	$1.75	(1,000)
Options outstanding at May 31, 1976, all of which are exercisable	45,150	$1.75-$3.50	$108,000

At May 31, 1976, 13,950 shares of common stock were available for future grants.

The Company has 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, 1976 there were 75,000 shares available for option.

Stock Warrants and Rights

Warrant holders are entitled to purchase 4,062 shares of the Company's common stock at $5.60 per share. The warrants expire in November, 1976.

An agreement related to a note payable provides that on each anniversary date of the note, the note holder may convert up to one third of the principal amount then owing 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 day's trading for all of the trading days of the month preceding the month within which this right to convert arises. In April, 1976, this right was exercised, resulting in conversion of $24,000 of indebtedness into 8,500 shares of common stock. The amount of principal owing on the next anniversary date would be approximately $30,000.

Note 5 Lease Commitments

The Company and the joint venture partnership 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. Generally, 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. Rent expense of facilities included in costs and expenses was as follows:

	1976	1975
Company's operations	$430,000	$407,000
50% of joint venture operations	122,000	122,000
	$552,000	$529,000

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 the Company's operations in 1976 and 1975. Minimum annual facility rental commitments under non-cancellable leases as of May 31, 1976 are summarized as follows:

	Company	Joint Venture	Total
1977	$ 620,000	$ 67,000	$ 687,000
1978	700,000	67,000	767,000
1979	704,000	67,000	771,000
1980	704,000	67,000	771,000
1981	698,000	67,000	765,000
1982-1986	3,422,000	335,000	3,757,000
1987-1991	2,134,000	89,000	2,223,000
1992-1996	1,865,000	-	1,865,000
After 1996	36,000	-	36,000

Included in the Company's commitments is $194,000 annual rent payable through 1996 which is reimbursed to the Company by the Joint Venture.

The present value of minimum lease commitments applicable to all non-cancellable financing leases at May 31, 1976 and 1975 is $4,685,000 and $4,524,000, respectively. The weighted average interest rate (based upon present value) and range of interest for 1976 and 1975 are 8.1% and 6.5% - 9.5%, respectively.

If the leases were capitalized and the related property rights were amortized on a straight-line basis and interest was accrued on the basis of present value, earnings before extraordinary item would have been reduced by $65,000 in 1976 and $83,000 in 1975. Net earnings would have been reduced by $125,000 in 1976 and $159,000 in 1975.

Amortization in the above computations was $3[illegible]8,000 for 1976 and 1975. Interest amounted to $384,000 and $388,000 for 1976 and 1975, respectively.

Note 6 Taxes on Income

Federal and state taxes on income consists of the following:

	1976	1975
Federal income taxes	$450,000	$264,000
State income taxes	95,000	53,000
	$545,000	$317,000

A reconciliation between total income taxes and the amount computed by applying the statutory federal income tax rate (48%) to earnings before taxes on income follows:

	1976	1975
Statutory tax rate applied to pre-tax earnings	$510,000	$299,000
Add (deduct)		
State income taxes net of federal tax benefit	49,000	28,000
Other	(14,000)	(10,000)
	$545,000	$317,000

As of May 31, 1976 the Company has fully utilized federal income tax carry-forwards to offset taxable income for financial and income tax reporting.

Note 7 Subsequent Event

In connection with a planned move of its corporate office to new leased premises, the Company entered into contractual obligations in July, 1976 for the purchase of furnishings and construction items for approximately $235,000.

The lease related to the premises was entered into prior to May 31, 1976 and is included in lease commitments of the Company under Note 5.

Comprehensive Care Corporation

Balance Sheet

	May 31, 1976	May 31, 1975
Assets		
Current assets:		
Cash, including time deposits of $401,000, 1976 and $300,000, 1975	$ 655,000	$ 344,000
Accounts receivable, less allowance for doubtful accounts of $10,000, 1976 and $6,000, 1975	90,000	72,000
Prepaid expenses	174,000	68,000
Total current assets	919,000	484,000
Investment in wholly-owned subsidiaries, equity method (Schedule III)	2,295,000	658,000
Property and equipment, at cost (Notes 1 and 3 and Schedules V and VI):		
Land	210,000	210,000
Buildings and improvements	676,000	673,000
Furniture and equipment	451,000	405,000
Leasehold improvements	58,000	55,000
	1,395,000	1,343,000
Less accumulated depreciation and amortization	334,000	248,000
	1,061,000	1,095,000
Other assets:		
Cost in excess of net assets of businesses purchased (Note 1)	517,000	517,000
Other	40,000	21,000
	557,000	538,000
	$4,832,000	$2,775,000
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (Note 9)	$ 323,000	$ 262,000
Payable to third party payors within one year	8,000	8,000
Long-term debt payable within one year (Note 3)	133,000	139,000
Income taxes payable	65,000	50,000
Cash dividends payable	72,000	-
Total current liabilities	601,000	459,000
Payable to wholly-owned subsidiaries (Schedule IV)	1,273,000	102,000
Long-term debt due after one year (Note 3)	638,000	764,000
Commitments (Notes 5 and 7)		
Stockholders' equity (Note 4)		
Convertible preferred stock, $100 par value; authorized, issued and outstanding, 250 shares, 1975	-	25,000
New preferred stock, $50 par value; authorized 60,000 shares; 8% convertible series; issued and outstanding, 6,100 shares	305,000	305,000
Common stock, $.10 par value; authorized 2,000,000 shares; issued and outstanding 947,682 shares, 1976 and 938,682 shares, 1975	95,000	94,000
Additional paid-in capital	1,459,000	1,461,000
Retained earnings (deficit)	461,000	(435,000)
	2,320,000	1,450,000
	$4,832,000	$2,775,000

* Restated.

See notes to consolidated financial statements.

Comprehensive Care Corporation

Statement of Earnings

	Year ended May 31, 1976	1975
Revenues:		
Operating (Note 1)	$1,085,000	$ 886,000
Other	65,000	82,000
	1,150,000	968,000
Costs and expenses:		
Operating	763,000	649,000
General, administrative and marketing	814,000	662,000
Depreciation and amortization	87,000	69,000
Interest	61,000	64,000
	1,725,000	1,444,000
Loss before income tax credit, equity in net earnings of subsidiaries and extraordinary credit	(575,000)	(476,000)
Income tax credit	295,000	242,000
Loss before equity in net earnings of subsidiaries and extraordinary credit	(280,000)	(234,000)
Equity in net earnings of subsidiaries, exclusive of extraordinary credit	797,000	540,000
Earnings before extraordinary credit	517,000	306,000
Extraordinary credit - income tax reduction from utilization of net operating loss carryforward (Note 6)	451,000	264,000
Net earnings	$ 968,000	$ 570,000

See notes to consolidated financial statements.

Comprehensive Care Corporation

Statement of Changes in Financial Position

	Year ended May 31, 1976	Year ended May 31, 1975*
Financial Resources Provided by:		
Operations:		
Earnings before extraordinary credit	$ 517,000	$ 306,000
Items not requiring (providing) outlay of working capital:		
Depreciation and amortization of property and equipment	87,000	69,000
Equity in earnings of subsidiaries	(1,637,000)	(1,098,000)
Working capital provided from (required for) operations before extraordinary credit	(1,033,000)	(723,000)
Extraordinary credit	451,000	264,000
Increase in amounts due to subsidiaries	1,171,000	933,000
Stock issued on conversion of long-term debt	24,000	-
Additional long-term debt due after one year	38,000	11,000
	651,000	485,000
Financial Resources Used For:		
Purchase of property and equipment	53,000	74,000
Reduction of long-term debt due after one year	164,000	149,000
Settlement of litigation and claims	-	60,000
Cash dividends on common and new preferred stock	96,000	24,000
Redemption of convertible preferred stock	27,000	-
Other applications	18,000	(4,000)
	358,000	303,000
Increase in working capital	$ 293,000	$ 182,000

Summary of Changes in Components of Working Capital

	1976	1975*
Increase (decrease) in current assets:		
Cash	$311,000	$267,000
Accounts receivable	18,000	(146,000)
Prepaid expenses	106,000	(4,000)
	435,000	117,000
Increase (decrease) in current liabilities:		
Short-term borrowings	-	(9,000)
Accounts payable and accrued liabilities	61,000	(114,000)
Payable to third party payors within one year	-	8,000
Long-term debt payable within one year	(6,000)	-
Income taxes payable	15,000	50,000
Cash dividends payable	72,000	-
	142,000	(65,000)
Increase in Working Capital	$293,000	$182,000

* Restated.
See notes to consolidated financial statements.

Neuro Affiliates Company

(A Joint Venture)

Balance Sheet

Assets

	May 31, 1976	May 31, 1975
Current Assets		
Cash, including $75,000 certificate of deposit in 1975	$ 53,000	$122,000
Accounts receivable, less allowance for doubtful accounts of $41,000 and $64,000	523,000	397,000
Prepaid expenses, supplies and other assets	92,000	52,000
Amounts due from (to) affiliated companies, net (Note 4)	(8,000)	29,000
Total current assets	660,000	600,000
Equipment and Improvements, at cost (Notes 1 and 2)		
Furniture and equipment	195,000	177,000
Leasehold improvements	99,000	72,000
	294,000	249,000
Less accumulated depreciation and amortization	103,000	67,000
	191,000	182,000
Deferred Costs (Note 1)	7,000	15,000
	$858,000	$797,000

Liabilities and Partners' Capital

	1976	1975
Current Liabilities		
Accounts payable and accrued expenses	$169,000	$101,000
Estimated amounts due under insurance programs (Note 3)	157,000	139,000
Current portion of equipment purchase contracts (Note 2)		29,000
Total current liabilities	326,000	269,000
Partners' Capital	532,000	528,000
	$858,000	$797,000

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

Neuro Affiliates Company

(A Joint Venture)

Statement of Income and Partners' Capital

	Year ended May 31, 1976	Year ended May 31, 1975
Revenues		
Patient care	$3,406,000	$2,546,000
Other	59,000	35,000
	3,465,000	2,581,000
Costs and Expenses		
Operating (Note 4)	1,829,000	1,783,000
General and administrative	953,000	460,000
Interest (Note 4)	21,000	29,000
	2,803,000	2,272,000
Net Income	662,000	309,000
Partners' Capital, at beginning of year	528,000	219,000
Payments to partners	(658,000)	
Partners' Capital, at end of year	$ 532,000	$ 528,000

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

Neuro Affiliates Company

(A Joint Venture)

Statement of Changes in Financial Position

	Year ended May 31, 1976	1975
Financial Resources Were Provided By:		
Operations		
Net income	$662,000	$309,000
Charges to income not requiring an outlay of working capital		
Depreciation of equipment and improvements	36,000	30,000
Amortization of deferred costs	8,000	
Working capital provided by operations	706,000	339,000
Financial Resources Were Used For:		
Decrease in long-term debt		29,000
Purchase of equipment and improvements	45,000	20,000
Payments to partners	658,000	
	703,000	49,000
Increase in Working Capital	$ 3,000	$290,000
Changes in Components of Working Capital		
Increase (decrease) in current assets		
Cash	$(69,000)	$ 55,000
Accounts receivable - net	126,000	(165,000)
Prepaid expenses, supplies and other assets	40,000	(25,000)
Amounts due from (to) affiliated companies - net	(37,000)	29,000
	60,000	(106,000)
Increase (decrease) in current liabilites		
Notes payable to affiliated company		(125,000)
Accounts payable and accrued expenses	68,000	(8,000)
Estimated amounts due under insurance programs	18,000	78,000
Amounts due affiliated companies - net		(331,000)
Current portion of equipment purchase contracts	(29,000)	(10,000)
	57,000	(396,000)
Increase In Working Capital	$ 3,000	$290,000

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

Neuro Affiliates Company

(A Joint Venture)

Notes to Financial Statements

May 31, 1976 and 1975

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 preopening costs on Crossroads Hospital, which are being amortized on a straight-line basis over three years from January, 1974.

Note 2 Equipment Purchase Contracts

Equipment purchase contracts are collateralized by equipment. At May 31, 1975, the following amounts are due within one year:

Amounts due on contracts	$50,000
Financing charges included therein	(21,000)
	$29,000

Neuro Affiliates Company

(A Joint Venture)

Notes to Financial Statements

May 31, 1976 and 1975

(Continued)

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 cost 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 Transactions 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. The annual rentals to Comprehensive Care Corporation increased to $194,000 effective June 1, 1976.

Management fees

Costs and expenses for 1976 and 1975 include $27,000 paid to Comprehensive Care Corporation and $73,000 to Hospital Affiliates International, Inc., for administrative and other service.

Interest expenses

Interest expense includes $11,000 in 1975 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, 1976 and 1975

Note 8 - Supplementary Income Statement Information:

The following amounts were charged to costs and expenses:

	Company		Consolidated	
	1976	1975	1976	1975*
Maintenance and repairs	$ 20,000	$ 19,000	$ 66,000	$ 74,000
Depreciation and amortization of property, plant and equipment	$ 87,000	$ 69,000	$171,000	$135,000
Amortization of intangible assets	$ -	$ -	$ 33,000	$ 33,000
Taxes other than income taxes:				
Payroll	$ 54,000	$ 46,000	$346,000	$257,000
Real and personal property	$ 34,000	$ 34,000	$120,000	$120,000
Other	$ 4,000	$ 3,000	$ 22,000	$ 13,000
Rents	$123,000	$112,000	$603,000	$562,000
Advertising	$ 11,000	$ 3,000	$228,000	$ 81,000

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

* Restated, see Note 2.

Note 9 - Accounts Payable and Accrued Liabilities

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

Company		Consolidated	
1976	1975	1976	1975*
$29,000	$21,000	$184,000	$118,000

* Restated, see Note 2.

Note 10 - Accounting for Stock Options

When stock options are exercised, the excess of the proceeds received over the par value of the shares of stock issued is credited to additional paid-in capital.

Comprehensive Care Corporation

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

Year Ended May 31, 19[illegible]

Name of issuer 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	$439,000	$1,127,000(a)	-	$ -	$ -	-	$ -	320	$1,566,000	$ -
Terracina Convalescent Hospital & Home, Inc. common stock, par value $100 a share	50	23,000	44,000						50	67,000	
Fort Worth Neuropsychiatric Hospital, Inc. common stock, par value $1 a share	10,002	156,000	51,000						10,002	207,000	
CAREUNIT, Inc. common stock, par value $1 a share	500	40,000	415,000						500	455,000	
		$658,000	$1,637,000		$ -	$ -		$ -		$2,295,000	$ -

(a) Includes joint venture earnings before taxes on income of $331,000.

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	Equity taken up in earnings (loss) of affiliates for the period	Other: Number of shares	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)	$1,008,000(a)	-	$ -	$ -	-	$ -	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 Neuropsychiatric 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	$ -

(a) Includes joint venture earnings before taxes on income of $155,000.

Schedule III (Continued)

Schedule III (Continued)

Comprehensive Care Corporation and Subsidiaries

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

Years Ended May 31, 1976 and 1975

Name of issuer and description of investment	Balance at beginning of period		Additions			Deductions					Dividends received during the period from investments not accounted for by the equity method
	Percent of ownership	Amount	Equity taken up in earnings (loss) of affiliates for the period	Other: Percent of ownership	Other: Amount	Distribution of earnings (loss) by affiliates in which earnings (loss) were taken up	Other: Percent of ownership	Other: Amount	Balance at end of period: Percent of ownership	Balance at end of period: Amount	
Year Ended May 31, 1976:											
NPHS, Inc. investment in joint venture in Neuro Affiliates Company, a partnership	50%	$264,000	$331,000	-	$ -	$329,000	-	$ -	50%	$266,000	$ -
Year Ended May 31, 1975:											
NPHS, Inc. investment in joint venture in Neuro Affiliates Company, a partnership	50%	$109,000	$155,000	-	$ -	$ -	-	$ -	50%	$264,000	$ -

Comprehensive Care Corporation

Indebtedness of and to Affiliates
Years Ended May 31, 1976 and 1975

Name of Affiliate	Balance receivable (payable) at beginning of period	Balance receivable (payable) at end of period
Year Ended May 31, 1976:		
Amounts eliminated in consolidation:		
Wholly-owned subsidiaries:		
NPHS, Inc.	$ (16,000)	$(1,106,000)
Terracina Convalescent Hospital & Home, Inc.	(36,000)	29,000
Fort Worth Neuropsychiatric Hospital, Inc.	(151,000)	(182,000)
CAREUNIT, Inc.	101,000	(14,000)
	(102,000)	(1,273,000)
Neuro Affiliates Company (50% interest) (a)	23,000	11,000
Total eliminated in consolidation	(79,000)	(1,262,000)
Amount not eliminated in consolidation		
Neuro Affiliates Company (b)	22,000	11,000
Total indebtedness of and to affiliates	$(57,000)	$(1,251,000)
Year Ended May 31, 1975:		
Amounts eliminated in consolidation:		
Wholly-owned subsidiaries:		
NPHS, Inc.	$962,000	$ (16,000)
Terracina Convalescent Hospital & Home, Inc.	(52,000)	(36,000)
Fort Worth Neuropsychiatric Hospital, Inc.	(224,000)	(151,000)
CAREUNIT, Inc.	145,000	101,000
	831,000	(102,000)
Neuro Affiliates Company (50% interest) (a)	12,000	23,000
Total eliminated in consolidation	843,000	(79,000)
Amount not eliminated in consolidation		
Neuro Affiliates Company (b)	11,000	22,000
Total indebtedness of and to affiliates	$854,000	$(57,000)

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

(b) 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

Years Ended May 31, 1976 and 1975

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, 1976:					
Land	$ 210,000	$ -	$ -	$ -	$ 210,000
Buildings and improvements	673,000	3,000	-	-	676,000
Furniture and equipment	405,000	47,000	1,000	-	451,000
Leasehold improvements	55,000	3,000	-	-	58,000
	$1,343,000	$53,000	$1,000	$ -	$1,395,000
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
Consolidated:					
Year ended May 31, 1976:					
Land	$ 216,000	$ -	$ -	$ -	$ 216,000
Buildings and improvements	673,000	3,000	-	-	676,000
Furniture and equipment	891,000	119,000	8,000	-	1,002,000
Leasehold improvements	286,000	101,000	24,000	-	363,000
	$2,066,000	$223,000	$32,000	$ -	$2,257,000
Year ended May 31, 1975*:					
Land	$ 216,000	$ -	$ -	$ -	$ 216,000
Buildings and improvements	664,000	9,000	-	-	673,000
Furniture and equipment	819,000	90,000	18,000	-	891,000
Leasehold improvements	241,000	45,000	-	-	286,000
	$1,940,000	$144,000	$18,000	$ -	$2,066,000

(a) Net transfers to wholly-owned subsidiaries.

* Restated, see Note 2.

Comprehensive Care Corporation and Subsidiaries

Accumulated Depreciation of Property, Plant and Equipment

Years Ended May 31, 1976 and 1975

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, 1976:					
Buildings and improvements	$ 98,000	$19,000	$ -	$ -	$117,000
Furniture and equipment	131,000	59,000	1,000	-	189,000
Leasehold improvements	19,000	9,000	-	-	28,000
	$248.000	$87,000	$1,000	$ -	$334,000
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
Consolidated:					
Year ended May 31, 1976:					
Buildings and improvements	$ 98,000	$ 19,000	$ -	$ -	$117,000
Furniture and equipment	389,000	117,000	7,000	-	499,000
Leasehold improvements	96,000	35,000	18,000	-	113,000
	$583,000	$171,000	$25,000	$ -	$729,000
Year ended May 31, 1975*:					
Buildings and improvements	$ 80,000	$ 18,000	$ -	$ -	$ 98,000
Furniture and equipment	307,000	90,000	8,000	-	389,000
Leasehold improvements	69,000	27,000	-	-	96,000
	$456,000	$135,000	$8,000	$ -	$583,000

(a) Net transfers to wholly-owned subsidiaries.

* Restated, see Note 2.

Comprehensive Care Corporation and Subsidiaries

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

Years Ended May 31, 1976 and 1975

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, 1976 Cost in excess of net assets of purchased businesses	$517,000	$ -	$ -	$ -	$517,000
Year ended May 31, 1975 Cost in excess of net assets of purchased businesses	$517,000	$ -	$ -	$ -	$517,000
Consolidated:					
Year ended May 31, 1976 Cost in excess of net assets of purchased businesses	$517,000	$ -	$ -	$ -	$517,000
Lease acquisition costs	$333,000	$ -	$29,000	$ -	$304,000
Preopening costs (a)	$ 7,000	$ -	$ 4,000	$ -	$ 3,000
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
Preopening costs (a)	$ 11,000	$ -	$ 4,000	$ -	$ 7,000

(a) Represents 50% of joint venture's preopening costs.

Comprehensive Care Corporation and Subsidiaries

Valuation and Qualifying Accounts and Reserves

Years Ended May 31, 1976 and 1975

Description	Balance at beginning of period	Additions: Charged to revenue	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, 1976	$ 6,000	$ 7,000	$ -	$ 3,000	$ -	$ 10,000
Year ended May 31, 1975	$ 24,000	$ 1,000	$ 2,000	$ 13,000	$8,000(b)	$ 6,000
Consolidated:						
Year ended May 31, 1976	$226,000	$247,000	$59,000	$323,000	$ -	$209,000
Year ended May 31, 1975*	$218,000	$315,000	$42,000	$341,000	$8,000(b)	$226,000

(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.

* Restated, see Note 2.

Schedule XII

2

Comprehensive Care Corporation and Subsidiaries

Calculation of Primary Earnings Per Share

	Year ended May 31, 1976	1975	1974	1973	1972
Net earnings (loss) applicable to common stock (a)	$944,000	$546,000	$368,000	$489,000	($2,558,000)
Average number of shares of common stock and common stock equivalents outstanding:					
Average number of shares of common stock outstanding	939,001	936,682	916,599	915,381	907,958
Common stock equivalents - convertible preferred stock (b)	3,255	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:	942,256	946,495	924,412	923,194	907,958
Primary earnings (loss) per share	$1.00	$.58	$.40	$.53	($2.82)

Calculation of Fully Diluted Earnings Per Share

	Year ended May 31, 1976	1975	1974	1973	1972
Net earnings (loss) applicable to common stock on a fully diluted basis	$968,000	$570,000	$370,000	$489,000	($2,558,000)
Average number of shares outstanding on a fully diluted basis:					
Shares used in calculating primary earnings per share	942,256	946,495	924,412	923,194	907,958
Additional average number of common stock outstanding assuming conversion of new preferred stock	305,000	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	1,247,256	1,251,495	957,510	923,194	907,958
Fully diluted earnings (loss) per share	$.78	$.46	$.39	$.53	($2.82)

		1976	1975	1974
(a)	Net earnings per Consolidated Summary of Earnings	$968,000	$570,000	$370,000
	Less 8% dividend on new preferred stock	24,000	24,000	2,000
		$944,000	$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 1975 and 1976, therefore, this effect was not shown above. Stock options and warrants are antidilutive in 1972, 1973, and 1974.

Exhibit I

END