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SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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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, 1977 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.)

660 Newport Center Drive, 4th Flr.
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)

1,287,182 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, 1977, Registrant was operating (or participating in the operation of) five acute hospitals (two of which are dedicated to the treatment of alcoholism), one extended care facility, one intermediate care facility and two board and care facilities. In addition, Registrant was managing CAREUNITS (Comprehensive Alcoholic Rehabilitation Environment Units) in twenty-three general hospitals and one HOPEUNIT (HOspital Psychiatric Environment) program in a general hospital.

The five acute hospitals are Brea Hospital Neuropsychiatric Center (Brea); Fort Worth Neuropsychiatric Hospital (Fort Worth); Woodview Calabasas Hospital (Calabasas); Crossroads Hospital (Crossroads); and CareManor Hospital (CareManor).

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; Crossroads is a 33-bed facility located in Van Nuys, California; and CareManor is a 94-bed facility located in Orange, California. These hospitals provide treatment for a wide range of psychiatric patients except that Crossroads and CareManor are dedicated to the treatment of alcoholism. 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 one extended care facility, namely, Bay View Convalescent Hospital (Bay View). Bay View is a 70-bed facility located in Costa Mesa, California. As of July 31, 1976, Registrant assigned its interest in Terracina Convalescent Hospital, a 78-bed facility located in Redlands, California which Registrant has operated since 1969 (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 (CareManor) located in Orange, 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, 1977 are located in the following general hospitals:

California

Alta Bates Hospital
Berkeley, California

Antelope Valley Hospital
Medical Center *
Lancaster, California

Mary's Help Hospital
Daly City, California

Memorial Hospital of
Gardena
Gardena, 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. Rose Hospital
Hayward, California

South Coast Community
Hospital
South Laguna, California

Viewpark Community Hospital
Los Angeles, California

Colorado

Mercy Hospital
Denver, Colorado

Illinois

Skokie Valley Community
Hospital
Skokie, Illinois

Michigan

Kent Community Hospital
Grand Rapids, Michigan

Missouri

DePaul Hospital
St. Louis, Missouri

Montana

Silver Bow General Hospital
Butte, Montana

Nevada

North Las Vegas Hospital
North Las Vegas, Nevada

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

Tennessee

St. Joseph Hospital
Memphis, Tennessee

Washington

Riverton General Hospital
Seattle, Washington

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* Opened June 1977.

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. At May 31, 1977 there was one additional CAREUNIT program contract signed and pending implementation.

The HOPEUNIT program which Registrant managed at May 31, 1977 is located in the South Coast Community Hospital in South Laguna, California. Under a contractual arrangement similar to that of the CAREUNIT program, the HOPEUNIT program delivers mental health services through the general hospital. This is a pilot program that was initiated in November 1975. At May 31, 1977 there was one additional HOPEUNIT program contract signed and pending implementation.

(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, 1977, Registrant employed approximately 750 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.

Comprehensive Care Corporation and Subsidiaries

Consolidated Summary of Operations

	Year ended May 31				
	1977	1976	1975	1974	1973
Revenues:					
Operating (Note B)	$13,843,000	$10,632,000	$7,956,000	$5,959,000	$4,275,000
Other	287,000	142,000	120,000	85,000	58,000
	14,130,000	10,774,000	8,076,000	6,044,000	4,333,000
Costs and expenses:					
Operating	8,935,000	6,542,000	5,434,000	4,122,000	3,110,000
General, administrative and marketing	3,772,000	2,919,000	1,793,000	1,294,000	909,000
Depreciation and amortization	257,000	171,000	135,000	110,000	98,000
Interest	97,000	80,000	91,000	153,000	121,000
	13,061,000	9,712,000	7,453,000	5,679,000	4,238,000
Earnings from continuing operations before taxes on income	1,069,000	1,062,000	623,000	365,000	95,000
Taxes on income (Note D)	471,000	545,000	317,000	186,000	44,000
Earnings from continuing operations	598,000	517,000	306,000	179,000	51,000
Losses from discontinued operations, net of income tax credits (Note D)	-	-	-	(9,000)	(14,000)
Earnings before extraordinary items	598,000	517,000	306,000	170,000	37,000
Extraordinary items					
Income tax reduction from utilization of net operating loss carryforward (Note D)	-	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 H)	-	-	-	-	(62,000)
Gain on sale of investment, net of related taxes on income of $259,000 (Note F)	-	-	-	-	473,000
Write-down of facility, net of related income tax credit of $89,000 - (1973) (Note G)	-	-	-	-	(82,000)
	-	451,000	264,000	200,000	452,000
Net earnings	$ 598,000	$ 968,000	$ 570,000	$ 370,000	$ 489,000

Comprehensive Care Corporation and Subsidiaries

Consolidated Summary of Operations (Continued)

	Year ended May 31				
	1977	1976	1975	1974	1973
Earnings Per Common and Common Equivalent Share (Note E)					
Primary					
Earnings from continuing operations	$ .55	$ .52	$ .30	$ .19	$ .06
Losses from discontinued operations, net of income tax credits	-	-	-	(.01)	(.02)
Extraordinary items	-	.48	.28	.22	.49
Net earnings	$ .55	$1.00	$ .58	$ .40	$ .53
Fully diluted					
Earnings from continuing operations	$ .47	$ .42	$ .25	$ .19	$ .06
Losses from discontinued operations, net of income tax credits	-	-	-	(.01)	(.02)
Extraordinary items	-	.36	.21	.21	.49
	$ .47	$ .78	$ .46	$ .39	$ .53

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 the Company's 50% interest in the accounts of a joint venture partnership. 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
Revenues	$577,000	$440,000
Losses, net of income tax credits	$ 9,000	$ 14,000

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 increased revenue in 1973 and 1974 by $144,000 and $146,000 respectively. Adjustments in 1975, 1976 and 1977 were not significant.

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

The Company consolidates its 50% interest in a joint venture partnership. The assets and liabilities of the joint venture partnership included in the consolidated balance sheet are as follows:

	Company's 50% Share				
	1977	1976	1975	1974	1973
Assets					
Current assets	$567,000	$324,000	$301,000	$353,000	$203,000
Property and equipment (net)	100,000	95,000	91,000	96,000	102,000
Other assets	1,000	3,000	7,000	8,000	15,000
	$668,000	$422,000	$399,000	$457,000	$320,000
Liabilities and partner's equity					
Current liabilities	$191,000	$156,000	$135,000	$333,000	$254,000
Long-term debt due after one year	-	-	-	14,000	35,000
Partner's equity	477,000	266,000	264,000	110,000	31,000
	$668,000	$422,000	$399,000	$457,000	$320,000

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

	Company's 50% Share				
	1977	1976	1975	1974	1973
Revenues					
Operating	$2,187,000	$1,703,000	$1,273,000	$1,031,000	$443,000
Other	20,000	30,000	18,000	11,000	4,000
	2,207,000	1,733,000	1,291,000	1,042,000	447,000
Costs and expenses					
Operating	1,150,000	914,000	877,000	744,000	335,000

Notes to Summary of Operations

	Company's 50% Share				
	1977	1976	1975	1974	1973
General, administrative and marketing	544,000	458,000	230,000	174,000	113,000
Depreciation and amortization	21,000	19,000	15,000	12,000	6,000
Interest	-	11,000	14,000	34,000	1,000
	1,715,000	1,402,000	1,136,000	964,000	455,000
Earnings (loss) before taxes on income	$ 492,000	$ 331,000	$ 155,000	$ 78,000	$ (8,000)

Note D - 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.

Taxes based on earnings from continuing operations consists of the following:

	Year ended May 31				
	1977	1976	1975	1974	1973
Federal income taxes	$385,000	$450,000	$264,000	$154,000	$37,000
State income taxes	86,000	95,000	53,000	32,000	7,000
	$471,000	$545,000	$317,000	$186,000	$44,000

Income credits applicable to losses from discontinued operations are as follows:

Year ended May 31				
1977	1976	1975	1974	1973
$ -	$ -	$ -	$ 10,000	$15,000

As of May 31, 1976, the Company has fully utilized federal income tax carryforwards for financial and income tax reporting.

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

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

	Year ending May 31				
	1977	1976	1975	1974	1973
Statutory tax rate applied to pre-tax earnings	$513,000	$510,000	$299,000	$175,000	$47,000
Add (deduct)					
State income taxes net of federal tax benefit	53,000	49,000	28,000	15,000	3,000
Investment tax credit	(93,000)	-	-	-	-
Other	(2,000)	(14,000)	(10,000)	(4,000)	(6,000)
	$471,000	$545,000	$317,000	$186,000	$44,000

Note E - Earnings Per Share:

Primary earnings per common and common equivalent share have been computed by dividing earnings net of 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:

Notes to Summary of Operations

	1977	1976	1975	1974	1973
Common stock	1,090,940	939,001	938,682	916,599	915,381
Convertible preferred stock	-	3,255	7,813	7,813	7,813
	1,090,940	942,256	946,495	924,412	923,194
8% cash dividends	$ -	$ 24,000	$ 24,000	$ 2,000	$ -

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:

	1977	1976	1975	1974	1973
Common stock	1,090,940	939,001	938,682	916,599	915,381
Convertible preferred stock	-	3,255	7,813	7,813	7,813
8% new preferred stock	177,917	305,000	305,000	33,098	-
	1,268,857	1,247,256	1,251,495	957,510	923,194

The dilutive effect of outstanding stock options and warrants was not significant in 1975, 1976 or 1977. In 1973 and 1974, the effect of stock options and warrants is antidilutive.

Cash dividends of $63,000 and $48,000 have been paid on common shares in 1977 and 1976, respectively. Shareholders of the convertible preferred stock were not entitled to cash dividends.

Note F - Gain on Sale of Investment:

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

Note G - Write-down of Facility:

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

During the year ended May 31, 1972, the facility was written down to estimated net realizable value, resulting in an extraordinary charge to earnings of $1,175,000.

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

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

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

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

MANAGEMENTS' DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

1977

Revenues of the Company in 1977 increased by $3,356,000 or 32% more than 1976 revenues. Increased patient census resulting from new units and increased utilization generated approximately 55% of the total increase in revenues. Rate increases accounted for the balance of the increase in revenue.

New operating units combined with increasing salaries and wages and other rising costs resulted in increased costs and expenses of $3,349,000.

As a result of the above factors, pre-tax earnings rose $7,000 to $1,069,000. This moderate increase reflects approximately $260,000 in losses incurred during the startup of CareManor and CompCare Publications.

Payroll taxes increased approximately 34% over the prior year primarily as a result of hiring new employees in new operating units.

The addition of a new operating facility plus increasing tax rates lead to an increase of $31,000 in real and personal property taxes.

Rent expense increased by $169,000 as a result of the acquisition of CareManor, increased equipment rental usage and rises in other facility rents due to escalation clauses.

The increase in advertising expenditures resulted from the addition of new operating units and the increased use of various advertising media.

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. 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.

1976 (Continued)

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

Payroll taxes were increased 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.

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.

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 operation) and long-term care accounted for approximately 62% of the total 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.

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.

Item 3. Properties.

Registrant's executive offices are located on the fourth floor of an office building at 660 Newport Center Drive, Newport Beach, California. This facility consists of approximately 14,896 square feet and is leased for $8,557 per month under a lease which expires in 1986. 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	$15,965*
Fort Worth Neuropsychiatric Hospital 1066 West Magnolia Fort Worth, Texas 76104	1996	5,353*
Calbasas Hospital - Neuro-psychiatric Center 25100 Calabasas Road Calabasas, California 92373	1996	16,200* (1)
Crossroads Hospital 6305 Woodman Avenue Van Nuys, California 91401	1987	5,577
CareManor Hospital 401 South Tustin Avenue Orange, California 92666	1994	10,418
Tustin Manor 1051 Bryan Tustin, California 92680	1995	7,754*
Bayview Manor 350 Bay Street Costa Mesa, California 92627	1996	6,105*

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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%

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* Subsidiaries included in consolidated financial statements.

Item 5. Legal Proceedings.

Registrant was not engaged in any material legal proceedings as of May 31, 1977.

Item 6. Increases and Decreases in Outstanding Securities and Indebtedness.

(a) Title of Class

(1) New Preferred Stock, $50 par value: Outstanding at June 1, 1976	6,100
(2) Converted into Common Stock in December 1976	(6,100)
Outstanding at May 31, 1977	-0-

Title of Class

(1) Common Stock, $.10 par value: Outstanding at June 1, 1976	947,682
(2) (i) Issued for cash upon exercise of qualified stock options	34,500
(ii) Issued upon conversion of New Preferred Stock	305,000
Outstanding at May 31, 1977	1,287,182

(b) (1) The transaction referred to in item (2) (i) above involved the sale and issuance by Registrant of shares of its Common Stock to its employees for an aggregate cash consideration of $87,250, as follows:

Date	Employee	No. of Shares	Price	Price in the over-the-counter-market Bid	Asked
6-17-76	Dr. Rush	2,500	$1.75	4-1/4	4-3/4
7-27-76	L. Van Luchene	2,500	3.50	4-1/4	4-3/4
7-27-76	L. Van Luchene	400	2.75	4-1/4	4-3/4
12-31-76	B. Karns	10,000	2.75	6-1/8	6-5/8
1-6-77	B. Karns	10,000	2.75	6-1/4	6-3/4
1-6-77	E. Johnson	1,000	1.75	6-1/4	6-3/4
1-6-77	L. Van Luchene	2,100	2.75	6-1/4	6-3/4
1-6-77	L. Van Luchene	1,900	1.75	6-1/4	6-3/4
3-18-77	L. Van Luchene	3,100	1.75	5	5-1/2
4-15-77	D. Beld	1,000	1.75	4-5/8	5-1/8

No brokers, underwriters or finders were involved in any 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 transaction referred to in item (2) (ii) above involved the conversion in December, 1976, of 6,100 shares of $50 par value New Preferred Stock into 305,000 shares of Common Stock by 20 holders of such New Preferred Stock. Said 6,100 shares of New Preferred Stock were sold by Registrant to 19 persons in April - May, 1974 and was reported in the Form 10-K of Registrant for the fiscal year ended May 31, 1974.

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, 1976		45,150
	(2) Exercised	(34,500)
	(3) Cancelled	(400)
Outstanding at May 31, 1977		10,250

Title of Class

	(1) Warrants	
Outstanding at June 1, 1976		4,062
	(2) Expired by terms of warrant	(4,062)
Outstanding at May 31, 1977		-0-

Item 7. Changes in Securities and Changes in Security for Registered Securities.

None.

Item 8. Defaults Upon Senior Securities.

None.

Item 9. Approximate Number of Equity Security Holders.

Title of Class	Number of Record Holders as of May 31, 1977
Common Stock, par value $.10 per share	750

Item 10. Submission of Matters to a Vote of Security Holders.

On September 23, 1976, the Annual Meeting of the Shareholders of Registrant was held at which the only matter considered was the election of directors. The following persons were elected as directors at such meeting.

B. Lee Karns
A. Joel Klein
Stewart B. Hoover
Alan Green, Jr.
George J. Lyon
John L. Hall
Jack A. McLeod

Item 11. Executive Officers of the Registrant.

Name	Office	Age
B. Lee Karns	President	47

Name	Office	Age
A. Joel Klein	Vice President Development	37
William James Nicol	Administrative Vice President, Secretary and Treasurer	33
Edward A. Johnson	Vice President, Psychiatric Division	32
Robert L. Kasselmann	Vice President, CAREUNIT Division	41
Harold M. Voorheis	Vice President, Marketing	34
Allen G. Herkimer, Jr.	Vice President, Finance	52

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.

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. Nicol has been with the Registrant since June, 1973 and has been its Secretary since December, 1973 and a Vice President and 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, 1974. For more than five years prior thereto, he was Administrator and Executive Director of Registrant's Brea Hospital Neuro-Psychiatric Center.

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. Herkimer has been the Vice President, Finance of Registrant since March 1977. He was employed by Laventhol & Horwath, certified public accountants from May 1973 to March 1977 and was a Principal at the time he terminated his employment with that firm. Mr. Herkimer was the Controller of AID, Inc., a corporation engaged in the health care business, from September 1972 to May 1973.

Item 12. 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 13. Financial Statements, Exhibits Filed and Reports On Form 8-K.

(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.

Exhibits:

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

(2) Agreement dated July 30, 1976 between Beverly Enterprises, Registrant and its wholly-owned subsidiary, Terracina Convalescent Hospital and Home, Inc. (re assignment of Care Manor Hospital lease to Registrant; assignment of Terracina Convalescent Hospital lease to Beverly Enterprises; and exchange and sale of furnishings in said hospitals).

(3) Sublease Agreement dated July 30, 1976 between Beverly Enterprises and Registrant (re Care Manor Hospital).

(4) Lease dated April 28, 1976 between The Irvine Company and Registrant (re Registrant's executive offices).

(b) Reports on Form 8-K. None filed during the quarter ended May 31, 1977.

PART II

Omitted. Registrant has filed proxy material with respect to its Annual Meeting covering its fiscal year ended May 31, 1977.

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, 1977

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, 1977

Financial Statements and Schedules

Year Ended May 31, 1977 and 1976

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 of
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, 1977, 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 Comprehensive Care Corporation and subsidiaries at May 31, 1977, 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.

Baron, Lesley, Thomas, Schwarz & Postma

BARON, LESLEY, THOMAS, SCHWARZ & POSTMA

Newport Beach, California
July 19, 1977

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Partners of
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 the related statements of income and 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, 1976, 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 14, 1976

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Partners of
Neuro Affiliates Company (A Joint Venture)

We have examined the balance sheet of Neuro Affiliates Company (A Joint Venture) as of May 31, 1977, and the related statements of income and 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, 1977, 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.

Baron, Lesley, Thomas, Schwarz & Postma

BARON, LESLEY, THOMAS, SCHWARZ & POSTMA

Newport Beach, California
July 19, 1977

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of
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 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 Comprehensive Care Corporation and subsidiaries at May 31, 1976, 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 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

Comprehensive Care Corporation and Subsidiaries

Consolidated Balance Sheet

	May 31 1977	May 31 1976
Assets		
Current assets:		
Cash, including time deposits of $401,000 in 1976	$ 518,000	$ 733,000
Accounts receivable, less allowance for doubtful accounts of $240,000, 1977 and $209,000, 1976 (Schedule XII)	2,567,000	1,619,000
Prepaid expenses	683,000	484,000
Total current assets	3,768,000	2,836,000
Property and equipment, at cost (Notes 1 and 3 and Schedules V and VI):		
Land	326,000	216,000
Buildings and improvements	763,000	676,000
Furniture and equipment	1,549,000	954,000
Leasehold improvements	515,000	411,000
	3,153,000	2,257,000
Less accumulated depreciation and amortization	843,000	729,000
	2,310,000	1,528,000
Other assets:		
Lease acquisition costs (Note 1 and Schedule VII)	276,000	304,000
Cost in excess of net assets of businesses purchased (Note 1 and Schedule VII)	517,000	517,000
Other	137,000	124,000
	930,000	945,000
	$ 7,008,000	$ 5,309,000
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (Note 10)	$ 1,237,000	$ 1,013,000
Payable to third party payors within one year	607,000	568,000
Long-term debt payable within one year (Note 3)	524,000	151,000
Income taxes payable	317,000	30,000
Deferred income taxes	140,000	35,000
Cash dividends payable	-	72,000
Total current liabilities	2,825,000	1,869,000
Deferred gain on sale and leaseback of property (Note 1)	138,000	145,000
Long-term debt due after one year (Note 3)	1,089,000	975,000
Commitments (Note 5)		
Stockholders' equity (Note 4):		
New preferred stock, $50 par value; authorized 60,000 shares:		
8% convertible series; issued and outstanding, 6,100 shares, 1976	-	305,000
Common stock, $.10 par value; authorized 2,000,000 shares; issued and outstanding 1,287,182 shares, 1977 and 947,682 shares, 1976	129,000	95,000
Additional paid-in capital	1,819,000	1,459,000
Retained earnings	1,008,000	461,000
	2,956,000	2,320,000
	$ 7,008,000	$ 5,309,000

See notes to consolidated financial statements.

Comprehensive Care Corporation and Subsidiaries

Consolidated Statement of Earnings

	Year ended May 31 1977	1976
Revenues:		
Operating (Note 1)	$13,843,000	$10,632,000
Other	287,000	142,000
	14,130,000	10,774,000
Costs and expenses:		
Operating	8,935,000	6,542,000
General, administrative and marketing	3,772,000	2,919,000
Depreciation and amortization (Note 1 and Schedule VI)	257,000	171,000
Interest	97,000	80,000
	13,061,000	9,712,000
Earnings before taxes on income and extraordinary credit	1,069,000	1,062,000
Taxes on income (Note 6)	471,000	545,000
Earnings before extraordinary credit	598,000	517,000
Extraordinary credit, income tax reduction from utilization of net operating loss carryforward (Note 6)	-	451,000
Net earnings	$ 598,000	$ 968,000
Earnings per common and common equivalent share: (Note 1)		
Primary:		
Earnings before extraordinary credit	$ .55	$ .52
Extraordinary credit	-	.48
Net earnings	$ .55	$1.00
Fully diluted:		
Earnings before extraordinary credit	$ .47	$ .42
Extraordinary credit	-	.36
Net earnings	$ .47	$ .78

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, 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
Net earnings								598,000
Exercise of employees' stock options					34,500	4,000	85,000	
Dividends declared on common stock								(63,000)
Restoration of dividends declared on 8% new preferred stock resulting from conversion of shares to common stock								12,000
Conversion of preferred stock to common stock			(6,100)	(305,000)	305,000	30,000	275,000	
Balances, May 31, 1977	-	$ -	-	$ -	1,287,182	$129,000	$1,819,000	$1,008,000

See notes to consolidated financial statements.

Comprehensive Care Corporation and Subsidiaries

Consolidated Statement of Changes in Financial Position

	Year ended May 31	
	1977	1976
Financial Resources Provided by:		
Operations		
Earnings before extraordinary credit	$ 598,000	$ 517,000
Items not requiring outlay of working capital:		
Depreciation and amortization of property and equipment	257,000	171,000
Amortization of leasehold costs and other deferred charges	24,000	37,000
Working capital provided by operations	879,000	725,000
Extraordinary credit	-	451,000
Disposal of property and equipment	61,000	-
Additional long-term debt due after one year	653,000	38,000
Issuance of common stock	89,000	24,000
	1,682,000	1,238,000
Financial Resources Used for:		
Purchases of property and equipment	1,100,000	223,000
Reduction of long-term debt	539,000	170,000
Reduction of payable to third party payors after one year	-	33,000
Dividends	51,000	96,000
Redemption of convertible preferred stock	-	27,000
Other applications	16,000	57,000
	1,706,000	606,000
Increase (Decrease) in Working Capital	$ (24,000)	$ 632,000
Summary of Changes in Components of Working Capital		
Increase (decrease) in current assets:		
Cash	$ (215,000)	$ 319,000
Accounts receivable	948,000	293,000
Prepaid expenses	199,000	244,000
	932,000	856,000
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	224,000	275,000
Payable to third party payors within one year	39,000	(113,000)
Long-term debt payable within one year	373,000	(25,000)
Income taxes payable	392,000	15,000
Cash dividends payable	(72,000)	72,000
	956,000	224,000
Increase (Decrease) in Working Capital	$ (24,000)	$ 632,000

See notes to consolidated financial statements.

Comprehensive Care Corporation and Subsidiaries

Notes to Consolidated Financial Statements

May 31, 1977 and 1976

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 the Company's 50% interest in the accounts of a joint venture partnership. 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 are 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, 1977 are $256,000 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.

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 has 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 1977 or in 1976.

Note 2 Accounting for 50% Interest in a Joint Venture

The Company consolidates its 50% interest in a joint venture partnership. The assets and liabilities of the joint venture partnership included in the consolidated balance sheet are as follows:

	Company's 50% Share	
	1977	1976
Assets		
Current assets	$ 567,000	$ 290,000
Property and equipment (net)	100,000	95,000
Other assets	1,000	3,000
	$ 668,000	$ 388,000
Liabilities and partner's equity		
Current liabilities	$ 191,000	$ 122,000
Partner's equity	477,000	266,000
	$ 668,000	$ 388,000

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

	Company's 50% Share	
	1977	1976
Revenues		
Operating	$ 2,187,000	$ 1,703,000
Other	20,000	30,000
	2,207,000	1,733,000
Costs and expenses		
Operating	1,150,000	914,000
General, administrative and marketing	544,000	458,000
Depreciation and amortization	21,000	19,000
Interest	-	11,000
	1,715,000	1,402,000
Earnings before taxes on income	$ 492,000	$ 331,000

Effective for the year ended May 31, 1976, 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 an expense of the joint venture. This accounting change had 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.

Note 3 Long-Term Debt

Long-term debt consists of the following:	1977	1976
6½% to 10% notes collateralized by trust deeds, payable in monthly installments with maturity dates from 1980 through 1993	$ 476,000	$ 528,000
Note payable to Small Business Administration, uncollateralized, bearing interest at 3% with maturity in 2002	347,000	347,000
7% to 8½% unsecured notes payable in quarterly installments with maturity dates through 1983	123,000	153,000
Unsecured demand notes payable bearing interest at 1% to 1½% over the prime rate	300,000	-
Notes payable, secured by equipment bearing interest at 1% to 2% over the prime interest rate payable in monthly installments maturing in 1981	252,000	-
Equipment contracts	92,000	72,000
Other	23,000	26,000
	$ 1,613,000	$ 1,126,000
Less amounts due within one year	524,000	151,000
	$ 1,089,000	$ 975,000

Annual maturities of long-term debt for the next five years amount to $524,000 in 1978, $165,000 in 1979, $138,000 in 1980, $100,000 in 1981 and $77,000 in 1982.

The Company has loan agreements with banks whereby the Company may borrow, from time to time, certain amounts, evidenced by promissory notes, the aggregate of which cannot exceed $950,000. The notes bear interest at the rate of one to one and one-half percent over the banks' prime rates. The aggregate amount outstanding at May 31, 1977 is $300,000.

Note 4 Stockholders' Equity

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. During December, 1976 and January 1977, all 6,100 shares of the stock were converted into common shares.

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.

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, 1976	45,150	$1.75 - $3.50	$108,000
Options exercised	(34,500)	$1.75 - $3.50	(89,000)
Options cancelled	(400)	$1.75	(1,000)
Options outstanding at May 31, 1977 all of which are exercisable	10,250	$1.75	$ 18,000

At may 31, 1977, 14,350 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, 1977 there were 75,000 shares available for option.

Stock Warrants and Rights

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 $11,000.

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 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:

	1977	1976
Company's operations	$535,000	$430,000
50% of Joint venture operations	131,000	122,000
	$666,000	$552,000

In addition, amortization of leasehold costs of $28,000 less amortization of deferred gain on sale and leaseback of property of $7,000 was charged to the Company's operations in 1977 and 1976. Minimum annual facility rental commitments under non-cancellable leases as of May 31, 1977 are summarized as follows:

	Company	Joint Venture	Total
1978	$ 878,000	$ 67,000	$ 945,000
1979	884,000	67,000	951,000
1980	876,000	67,000	943,000
1981	867,000	67,000	934,000
1982	850,000	67,000	917,000
1983-1987	4,123,000	335,000	4,458,000
1988-1992	2,782,000	22,000	2,804,000
1993-1997	1,986,000	-	1,986,000
After 1997	-	-	-
	$13,246,000	$ 692,000	$13,938,000

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 noncancellable financing leases at May 31, 1977 and 1976 is $5,705,000 and $4,685,000, respectively. The weighted average interest rate (based upon present value) and range of interest for 1976 are 8.1% and 6.5% - 9.5%. The weighted average interest rate (based on present value) and range of interest for 1977 are 8.4% and 6.5% - 9.25%

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 $111,000 in 1977. Net earnings would have been reduced by $125,000 in 1976 and $111,000 in 1977.

Amortization in the above computations was $328,000 and $312,000 for 1976 and 1977, respectively. Interest amounted to $384,000 and $456,000 for 1976 and 1977 respectively.

Note 6 Taxes on Income

Federal and state taxes on income consist of the following:

	1977	1976
Currently payable		
Federal income taxes	$298,000	$450,000
State income taxes	69,000	70,000
	367,000	520,000
Deferred		
Federal income taxes	87,000	15,000
State income taxes	17,000	10,000
	104,000	25,000
	$471,000	$545,000

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 is as follows:

	1977	1976
Statutory tax rate applied to pre-tax earnings	$513,000	$510,000
Add state income taxes net of federal tax benefit	53,000	49,000
Deduct investment tax credit	(93,000)	-
Other	(2,000)	(14,000)
	$471,000	$545,000

As of May 31, 1976, the Company had fully utilized federal income tax carryforwards to offset taxable income for financial and income tax reporting.

Deferred tax expense results from timing differences in the recognition of revenue and expenses for tax and financial statement purposes. The sources of these differences and the tax effect of each were as follows:

	1977	1976
Excess tax over book depreciation	$ 36,000	$ 16,000
Cash basis accounting and different reporting period for tax purposes by joint venture	57,000	71,000
State income taxes not currently deductible	(8,000)	(35,000)
Other, net	19,000	(27,000)
	$104,000	$ 25,000

Comprehensive Care Corporation and Subsidiaries

Notes to Consolidated Financial Statements

May 31, 1977 and 1976

(Continued)

Note 7 Acquisition and Disposition of Facilities

The Company, on August 1, 1976, acquired the operations, leasehold interest, furniture and equipment of an alcoholic rehabilitation facility in exchange for the operations, leasehold interest, furniture and equipment of a long-term care facility plus cash and a note.

Both parties to the transaction have given the other party a security interest in certain personal property for the purpose of securing performance by the respective parties in the performance of obligations with respect to the assignment of leases.

The consolidated statement of earnings includes the operations of the acquired facility from August 1, 1976.

Note 8 Quarterly Results (Unaudited) Year Ended May 31, 1977

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$3,143,000	$3,521,000	$3,468,000	$3,998,000
Earnings before income taxes	$ 300,000	$ 348,000	$ 155,000	$ 266,000
Federal and state income taxes	133,000	162,000	56,000	120,000
Net earnings	$ 167,000	$ 186,000	$ 99,000	$ 146,000
Per share				
Primary	$ .17	$ .19	$ .08	$ .11
Fully diluted	$ .13	$ .15	$ .08	$ .11

Note 9 Supplementary Income Statement Information

The following amounts were charged to costs and expenses:

	Company		Consolidated	
	1977	1976	1977	1976
Depreciation and amortization of property, plant and equipment	$150,000	$ 87,000	$257,000	$171,000
Amortization of intangible assets	-	-	$ 31,000	$ 33,000
Taxes other than income taxes:				
Payroll	$129,000	$ 54,000	$462,000	$346,000
Real and personal property	$ 63,000	$ 34,000	$151,000	$120,000
Other	$ -	$ 4,000	$ 15,000	$ 22,000
Rents	$263,000	$123,000	$772,000	$603,000
Advertising	$120,000	$ 11,000	$408,000	$228,000

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

Note 10 Accounts Payable and Accrued Liabilities

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

Company		Consolidated	
1977	1976	1977	1976
$32,000	$29,000	$159,000	$184,000

Comprehensive Care Corporation

Balance Sheet

	May 31 1977	May 31 1976
Assets		
Current assets		
Cash, including time deposits of $401,000, 1976	$ 348,000	$ 655,000
Accounts receivable, less allowance for doubtful accounts of $81,000, 1977 and $10,000, 1976 (Schedule XII)	471,000	90,000
Prepaid expenses	343,000	174,000
Total current assets	1,162,000	919,000
Investment in Wholly-Owned Subsidiaries, Equity Method (Schedule III)	4,459,000	2,295,000
Property and Equipment, at Cost (Notes 1 and 3 and Schedules V and VI)		
Land	210,000	210,000
Buildings and improvements	699,000	676,000
Furniture and equipment	991,000	451,000
Leasehold improvements	231,000	58,000
	2,131,000	1,395,000
Less accumulated depreciation and amortization	469,000	334,000
	1,662,000	1,061,000
Other Assets		
Cost in excess of net assets of businesses purchases (Note 1 and Schedule VII)	517,000	517,000
Other	106,000	40,000
	623,000	557,000
	$7,906,000	$4,832,000
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 10)	577,000	$ 323,000
Payable to third party payors within one year	18,000	8,000
Long-term debt payable within one year (Note 3)	524,000	133,000
Income taxes payable	317,000	30,000
Deferred income taxes	140,000	35,000
Cash dividends payable	-	72,000
Total current liabilities	1,576,000	601,000
Payable to Wholly-Owned Subsidiaries (Schedule IV)	2,617,000	1,273,000
Long-Term Debt Due After One Year	757,000	638,000
Commitments (Note 5)		
Stockholders' Equity (Note 4)		
New preferred stock, $50 par value: Authorized 60,000 shares; 8% convertible series: Issued and outstanding, 6,100 shares, 1976	-	305,000
Common stock, $.10 par value; Authorized 2,000,000 shares; Issued and outstanding 1,287,182 shares, 1977 and 947,682 shares, 1976	129,000	95,000
Additional paid-in capital	1,819,000	1,459,000
Retained earnings	1,008,000	461,000
	2,956,000	2,320,000
	$7,906,000	$4,832,000

See notes to consolidated financial statements

Comprehensive Care Corporation

Statement of Earnings

	Year Ended May 31 1977	Year Ended May 31 1976
Revenue		
Operating (Note 1)	$2,564,000	$1,085,000
Other	236,000	65,000
	2,800,000	1,150,000
Costs and Expenses		
Operating	2,126,000	763,000
General, administrative and marketing	1,536,000	814,000
Depreciation and amortization (Note 1 & Schedule VI)	150,000	87,000
Interest	83,000	61,000
	3,895,000	1,7[illegible],000
Loss Before Income Tax Credit, equity in net earnings of subsidiaries and extraordinary credit	(1,095,000)	(575,000)
Income Tax Credit	615,000	295,000
Loss Before Equity in Net Earnings of Subsidiaries And Extraordinary Credit	(480,000)	(280,000)
Equity in Net Earnings of Subsidiaries, exclusive of extraordinary credit	1,078,000	797,000
Earnings Before Extraordinary Credit	598,000	517,000
Extraordinary Credit - income tax reduction from utilization of net operating loss carryforward (Note 6)	-	451,000
Net Earnings	$ 598,000	$ 968,000

See notes to consolidated financial statements

Comprehensive Care Corporation

Statement of Changes in Financial Position

	Year Ended May 31 1977	1976
Financial Resources Provided by		
Operations		
Earnings before extraordinary credit	$ 598,000	$ 517,000
Items not requiring (providing) outlay of working capital		
Depreciation and amortization of property and equipment	150,000	87,000
Equity in earnings of subsidiaries	(2,164,000)	(1,637,000)
Working capital provided from (required for) operations before extraordinary credit	(1,416,000)	(1,033,000)
Extraordinary credit	-	451,000
Increase in amounts due to subsidiaries	1,344,000	1,171,000
Issuance of common stock	89,000	24,000
Additional long-term debt due after one year	653,000	38,000
	670,000	651,000
Financial Resources Used For		
Purchase of property and equipment	748,000	53,000
Reduction of long-term debt due after one year	534,000	164,000
Dividends	51,000	96,000
Redemption of convertible preferred stock	-	27,000
Other applications	69,000	18,000
	1,402,000	358,000
Increase (Decrease) in Current Assets	$ (732,000)	$ 293,000

Summary of Changes in Components of Working Capital

	1977	1976
Increase (Decrease) in Current Assets		
Cash	$ (307,000)	$ 311,000
Accounts receivable	381,000	18,000
Prepaid expenses	169,000	106,000
	243,000	435,000
Increase (Decrease) in Current Liabilities		
Accounts payable and accrued liabilities	245,000	61,000
Payable to third party payors within one year	10,000	-
Long-term debt payable within one year	391,000	(6,000)
Income taxes payable	392,000	15,000
Cash dividends payable	(72,000)	72,000
	975,000	142,000
Increase (Decrease) in Working Capital	$ (732,000)	$ 293,000

See notes to consolidated financial statements

NEURO AFFILIATES COMPANY
(A Joint Venture)

BALANCE SHEET

ASSETS

	MAY 31 1977	MAY 31 1976
CURRENT ASSETS		
Cash	$ 199,000	$ 53,000
Accounts receivable, less allowance for doubtful accounts of $52,000 and $41,000	817,000	523,000
Prepaid expenses, supplies and other assets	123,000	92,000
Amounts due from (to) affiliated companies, net (Note 3)	(5,000)	(8,000)
Total current assets	1,134,000	660,000
EQUIPMENT AND IMPROVEMENTS, at cost (Note 1)		
Furniture and equipment	231,000	195,000
Leasehold improvements	109,000	99,000
	340,000	294,000
Less accumulated depreciation and amortization	140,000	103,000
	200,000	191,000
DEFERRED COSTS (Note 1)	1,000	7,000
	$1,335,000	$858,000

LIABILITIES AND PARTNERS' CAPITAL

	1977	1976
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 232,000	$169,000
Estimated amounts due under insurance programs (Note 2)	150,000	157,000
Total current liabilities	382,000	326,000
PARTNERS' CAPITAL	953,000	532,000
	$1,335,000	$858,000

See notes to financial statements

NEURO AFFILIATES COMPANY
(A Joint Venture)

STATEMENT OF INCOME AND PARTNERS' CAPITAL

	YEAR ENDED MAY 31	
	1977	1976
REVENUES		
Patient care	$4,374,000	$3,406,000
Other	40,000	59,000
	4,414,000	3,465,000
COSTS AND EXPENSES (Note 3)		
Operating	2,300,000	1,829,000
General and administrative	1,131,000	953,000
Interest		21,000
	3,431,000	2,803,000
NET INCOME	983,000	662,000
PARTNERS' CAPITAL, at beginning of year	532,000	528,000
PAYMENTS TO PARTNERS	(562,000)	(658,000)
PARTNERS' CAPITAL, at end of year	$ 953,000	$ 532,000

See notes to financial statements

NEURO AFFILIATES COMPANY
(A Joint Venture)

STATEMENT OF CHANGES IN FINANCIAL POSITION

	YEAR ENDED MAY 31 1977	1976
FINANCIAL RESOURCES WERE PROVIDED BY		
Operations		
Net income	$ 983,000	$662,000
Charges to income not requiring an outlay of working capital		
Depreciation of equipment and improvements	37,000	36,000
Amortization of deferred costs	6,000	8,000
Working capital provided by operations	1,026,000	706,000
FINANCIAL RESOURCES WERE USED FOR		
Purchase of equipment and improvements	46,000	45,000
Payments to partners	562,000	658,000
	608,000	703,000
INCREASE IN WORKING CAPITAL	$ 418,000	$ 3,000
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Increase (decrease) in current assets		
Cash	$ 146,000	$(69,000)
Accounts receivable - net	294,000	126,000
Prepaid expenses, supplies and other assets	31,000	40,000
Amounts due from (to) affiliated companies - net	3,000	(37,000)
	474,000	60,000
Increase (decrease) in current liabilities		
Notes payable to affiliated company		
Accounts payable and accrued expenses	63,000	68,000
Estimated amounts due under insurance programs	(7,000)	18,000
Current portion of equipment purchase contracts		(29,000)
	56,000	57,000
INCREASE IN WORKING CAPITAL	$ 418,000	$ 3,000

See notes to financial statements

NEURO AFFILIATES COMPANY
(A Joint Venture)

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1977 AND 1976

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 - 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 3 - TRANSACTIONS WITH PARTNERS

Rentals - The Company reimburses annual rentals of $194,000 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 for 1977 and 1976 include $37,000 paid to Comprehensive Care Corporation and $85,000 to Hospital Affiliates International, Inc., for administrative and other services.

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.

Comprehensive Care Corporation

Investments In, Equity In Earnings Of,
And Dividends Received From Affiliates

Year Ended May 31, 1977

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 peri: Number of shares	Balance at end of peri: 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	$1,566,000	$1,351,000 (a)	-	$ -	$ -	-	$ -	320	$2,917,000	$ -
Terracina Convalescent Hospital & Home, Inc. common stock, par value $100 a share	50	67,000	(9,000)						50	58,000	
Fort Worth Neuro-psychiatric Hospital, Inc. common stock, par value $1 a share	10,002	207,000	(2,000)						10,002	205,000	
CAREUNIT, Inc. common stock, par value $1 a share	500	455,000	824,000						500	1,279,000	
		$2,295,000	$2,164,000		$ -	$ -		$ -		$4,459,000	$ -

(a) Includes joint venture earnings before taxes on income of $492,000.

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Comprehensive Care Corporation

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

Year Ended May 31, 1976

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.

Schedule III (Continued)

Comprehensive Care Corporation and Subsidiaries

Investments In, Equity In Earnings Of
And Dividends Received From Affiliates

Year Ended May 31, 1977 and 1976

Name of issuer and description of investment	Balance at beginning of period: Percent of ownership	Balance at beginning of period: Amount	Additions: Equity taken up in earnings (loss) of affiliates for the period	Additions: Other: Percent of ownership	Additions: Other: Amount	Deductions: Distribution of earnings (loss) by affiliates in which earnings (loss) were taken up	Deductions: Other: Percent of ownership	Deductions: Other: Amount	Deductions: Other: Percent of ownership	Deductions: Other: Amount	Dividends received during the period from investments not accounted for by the equity method
Year Ended May 31, 1977											
NPHS, Inc. investment in joint venture in Neuro Affiliates Company, a partnership	50%	$266,000	$492,000	-	$ -	$281,000	-	$ -	50%	$477,000	$ -
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	$ -

Comprehensive Care Corporation | Schedules IV and X

Indebtedness of and to Affiliates

Year Ended May 31, 1977 and 1976

Name of Affiliate	Balance receivable (payable) at beginning of period	Balance receivable (payable) at end of period
Year ended May 31, 1977:		
Amounts eliminated in consolidation:		
Wholly-owned subsidiaries:		
NPHS, Inc.	$(1,106,000)	$(1,913,000)
Terracina Convalescent Hospital & Home, Inc.	29,000	(53,000)
Fort Worth Neuropsychiatric Hospital, Inc.	(182,000)	(147,000)
CAREUNIT, Inc.	(14,000)	(504,000)
	(1,273,000)	(2,617,000)
Neuro Affiliates Company (50% interest)	11,000 (a)	(10,000) (c)
Total eliminated in consolidation	(1,262,000)	(2,627,000)
Amount not eliminated in consolidation Neuro Affiliates Company	11,000 (b)	(10,000) (d)
Total indebtedness of and to Affiliates	$(1,251,000)	$(2,637,000)
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)	23,000 (a)	11,000 (a)
Total eliminated in consolidation	(79,000)	(1,262,000)
Amount not eliminated in consolidation Neuro Affiliates Company	22,000 (b)	11,000 (b)
Total indebtedness of and to Affiliates	$ (57,000)	$(1,251,000)

(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.

(c) Included in accounts payable on balance sheet of Comprehensive Care Corporation

(d) Included in accounts payable on balance sheet of Comprehensive Care Corporation and on balance sheet of Comprehensive Care Corporation and Subsidiaries.

Comprehensive Care Corporation and Subsidiaries Schedule V

Property, Plant and Equipment

Year Ended May 31, 1977 and 1976

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, 1977:					
Land	$ 210,000	$ -	$ -	$ -	$ 210,000
Buildings and improvements	676,000	23,000	-	-	699,000
Furniture and equipment	451,000	542,000	6,000	4,000(a)	991,000
Leasehold improvements	58,000	183,000	10,000	-	231,000
	$1,395,000	$ 748,000	$ 16,000	$ 4,000	$2,131,000
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
Consolidated:					
Year ended May 31, 1977:					
Land	$ 216,000	$ 110,000	$ -	$ -	$ 326,000
Building and improvements	676,000	87,000	-	-	763,000
Furniture and equipment	954,000	670,000	123,000	48,000(b)	1,549,000
Leasehold improvements	411,000	233,000	81,000	(48,000)(b)	515,000
	$2,257,000	$1,100,000	$ 204,000	$ -	$3,153,000
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	(48,000)(b)	954,000
Leasehold improvements	286,000	101,000	24,000	48,000 (b)	411,000
	$2,066,000	$ 223,000	$ 32,000	$ -	$2,257,000

(a) Net transfers from wholly-owned subsidiaries.

(b) Reclassifications

Schedule VI

Comprehensive Care Corporation and Subsidiaries

Accumulated Depreciation of Property, Plant and Equipment

Year Ended May 31, 1977 and 1976

Classification	Balance at beginning period	Additions charged to costs and expenses	Sales, retirements and abandonments	Other changes	Balance at end of period
Company:					
Year Ended May 31, 1977					
Buildings and improvements	$117,000	$ 19,000	$ -	$ -	$136,000
Furniture and equipment	189,000	105,000	5,000	-	289,000
Leasehold improvements	28,000	26,000	10,000	-	44,000
	$334,000	$150,000	$ 15,000	$ -	$469,000
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
Consolidated:					
Year Ended May 31, 1977:					
Buildings and improvements	$117,000	$ 19,000	$ -	$ -	$136,000
Furniture and equipment	499,000	184,000	104,000	-	579,000
Leasehold improvements	113,000	54,000	39,000	-	128,000
	$729,000	$257,000	$143,000	$ -	$843,000
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

Comprehensive Care Corporation and Subsidiaries

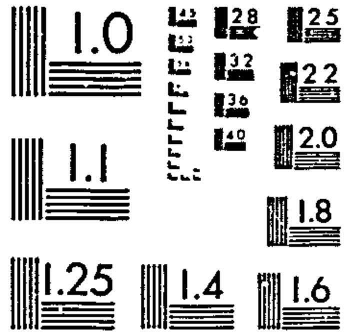
Intangible Assets, Deferred Research and Development Expenses, Preoperating Expenses and Similar Deferrals

Year Ended May 31, 1977 and 1976

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, 1977					
Cost in excess of net assets of purchased businesses	$517,000	$ -	$ -	$ -	$517,000
Year ended May 31, 1976					
Cost in excess of net assets of purchased businesses	$517,000	$ -	$ -	$ -	$517,000
Consolidated:					
Year ended May 31, 1977					
Cost in excess of net assets of purchased businesses	$517,000	$ -	$ -	$ -	$517,000
Lease acquisition costs	$304,000	$ -	$28,000	$ -	$276,000
Preopening costs (a)	$ 3,000	$ -	$ 3,000	$ -	$ -
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

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

Schedule VII



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Comprehensive Care Corporation and Subsidiaries

Valuation and Qualifying Accounts and Reserves

Year Ended May 31, 1977 and 1976

Description	Balance at beginning of period	Additions		Deductions		Balance at end of period
		Charged to revenue	Charged to other accounts	Write-off of accounts	Other	
Allowance for doubtful accounts (deducted from accounts receivable in the balance sheet):						
Company:						
Year ended May 31, 1977	$ 10,000	$ 114,000	$ 3,000 (a)	$ 46,000		$ 81,000
Year ended May 31, 1976	$ 6,000	$ 7,000	$ -	$ 3,000	$ -	$ 10,000
Consolidated:						
Year ended May 31, 1977	$ 209,000	$ 308,000	$ 54,000 (a)	$ 297,000	$ 34,000(b)	$ 240,000
Year ended May 31, 1976	$ 226,000	$ 247,000	$ 59,000 (a)	$ 323,000	$ -	$ 209,000

(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.

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Comprehensive Care Corporation and Subsidiaries

Calculation of Primary Earnings Per Share

	Year ended May 31, 1977	1976	1975	1974	1973
Net earnings applicable to common stock (a)	$ 598,000	$ 944,000	$ 546,000	$ 368,000	$ 489,000
Average number of shares of common stock and common stock equivalents outstanding:					
Average number of shares of common stock outstanding	1,090,940	939,001	938,682	916,599	915,381
Common stock equivalents - convertible preferred stock	-	3,255	7,813	7,813	7,813
Dilutive effect of stock options and warrants after application of treasury stock method (b)					
Average number of shares of common stock and common stock equivalents outstanding	1,090,940	942,256	946,495	924,412	923,194
Primary earnings per share	$ .55	$1.00	$ .58	$ .40	$ .53

Calculation of Fully Diluted Earnings Per Share

	1977	1976	1975	1974	1973
Net earnings applicable to common stock on a fully diluted basis	$ 598,000	$ 968,000	$ 570,000	$ 370,000	$ 489,000
Average number of shares outstanding on a fully diluted basis:					
Shares used in calculating primary earnings per share	1,090,940	942,256	946,495	924,412	923,194
Additional average number of common stock outstanding assuming conversion of new preferred stock	177,917	305,000	305,000	33,098	
Dilutive effect of stock options and warrants after application of treasury stock method (b)					
Average number of shares outstanding on a fully diluted basis	1,268,857	1,247,256	1,251,495	957,510	923,194
Fully diluted earnings per share	$ .47	$ .78	$ .46	$ .39	$ .53

	1977	1976	1975	1974
(a) Net earnings per Consolidated Summary of Earnings	$ 598,000	$ 968,000	$ 570,000	$ 370,000
Less 8% dividend on new preferred stock	-	24,000	24,000	2,000
	$ 598,000	$ 944,000	$ 546,000	$ 368,000

(b) The dilutive effect of stock options and warrants was less than 3% for 1975, 1976 and 1977, therefore, this effect was not shown above. Stock options and warrants are antidilutive in 1973 and 1974.

Exhibit I