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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

62

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

For the fiscal year ended May 31, 1979 Commission file no. 0-5751

COMPREHENSIVE CARE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	95-2594724
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
660 Newport Center Drive, 4th Flr. Newport Beach, California	92660
(Address of principal executive offices)	(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)

1,616,842 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 Sescurities 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.

The Registrant, Comprehensive Care Corporation, is a Delaware corporation which was organized in January, 1969 under the name "Neuro-Psychiatric and Health Services, Inc." In November, 1972, Registrant changed its name to more appropriately reflect its activities as a health care management company specializing in the management of acute psychiatric and alcoholic rehabilitation facilities.

History

The Registrant's history can be traced to 1966 when University Health Care and Research Foundation, a predecessor, acquired the leasehold for Brea Hospital Neuropsychiatric Center, Registrant's largest facility. This organization encountered financial problems and decided to convert to a for-profit operation, and in April, 1969 its business was purchased by Registrant.

In June, 1969, the Company's first major financing, a private placement of $850,000 of convertible preferred stock, was completed. In August of 1970, Registrant went public through an offering of 135,000 shares of common stock. During this time, Registrant's activities in the health care management industry were limited to acute psychiatric hospitals and long-term care facilities for the elderly (convalescent and intermediate care hospitals and residential care facilities). Operational problems were encountered, including the 1971 Sylmar earthquake which forced the closing of Registrant's largest convalescent hospital. The State of California also suddenly adopted a fixed payment practice that, in many instances, failed even to reimburse cost, and similar inadequacies were encountered in the federal government's Medicare reimbursement system, severely reducing the profitability of long-term care facilities throughout the State. At such time, Registrant was committed to several expansion projects whose start-up losses put the Company on the verge of bankruptcy. In May of 1972, B. Lee Karns was installed as president and began forming the management team which would redirect Registrant's efforts.

Fiscal 1973 and 1974 were years of retrenchment and consolidation. Certain operations were sold to obtain operating capital. A joint venture with a financially capable partner was organized to absorb the operation of a large new facility whose continuing start-up losses were crippling Registrant. A decision was made to shift Registrant's developmental emphasis away from the capital intensive long-term care industry. The CAREUNIT Program (discussed below) was conceived and the prototype implemented. A private placement of $305,000 of convertible preferred stock improved Registrant's financial condition enough that a major bank extended a working capital line of credit.

Fiscal 1975 and 1976 brought the expansion of the CAREUNIT Program from its single installation to 20 programs.

The prototype for a sister program, the HOPEUNIT, was developed and implemented. During fiscal 1977, CareManor Hospital of Orange was acquired and CompCare Publications was started. The number of CAREUNIT and HOPEUNIT Programs increased to 24.

During fiscal 1978, Registrant signed its first facility management contract with a 31-bed alcoholism hospital in Tucson, Arizona. By year end, 30 CAREUNIT and HOPEUNIT Programs were in operation and Registrant had established itself as a major factor in the management of psychiatric and alcoholic rehabilitation programs.

In fiscal 1979, Registrant began managing the 84-bed ALCENAS Hospital in Seattle, acquired Viewpark Community Hospital (104 beds, general acute care) in Los Angeles and added 16 CAREUNIT Programs to its operations. Registrant also privately placed $1,700,000 in 9% convertible subordinated notes enabling it to extinguish its then current bank debt and to close the year with substantial short-term investments.

Health Care Services

Registrant operates or participates in the operation of five acute psychiatric hospitals (three of which are dedicated to the treatment of alcoholism and other drug dependencies), one acute medical surgical hospital, one extended care facility, one intermediate care facility and one board and care facility. Registrant also manages CAREUNIT (Comprehensive Alcoholic Rehabilitation Environment Unit) Programs in 44 general hospitals, HOPEUNIT (Hospital Psychiatric Environment Unit) Programs in two general hospitals and has two contracts for the total management of alcoholism hospitals owned by others. All of these hospital facilities have an organized medical staff and are duly licensed by the state in which they are located. They are also accredited by the Joint Commission on Accreditation of Hospitals except that the extended, intermediate and residential care facilities are not surveyed by that institution. Where appropriate, they are all certified for participation as providers under the Medicare and Medicaid programs.

The acute psychiatric licensed hospitals are: Brea Hospital Neuropsychiatric Center, 142-bed facility, Brea, California; Trinity Oaks Hospital, 26-bed facility, Fort Worth, Texas; Woodview-Calabasas Hospital, 117-bed facility, Calabasas, California; Crossroads Hospital, 33-bed facility, Van Nuys, California; and CareManor Hospital, 94-bed facility, Orange, California. These hospitals provide treatment for a wide range of mental health problems. CareManor, Trinity Oaks and Crossroads Hospitals are dedicated to the treatment of alcoholism and other drug dependencies. Woodview-Calabasas and Crossroads are managed through a joint venture between Registrant and American Psychiatric Hospitals of California, Inc., a Tennessee corporation.

The acute medical surgical hospital is Viewpark Community Hospital, 104-bed facility, Los Angeles, California.

Registrant also operates one extended care hospital, one intermediate care and one board and care facility. Respectively, they are Bay View Convalescent Hospital, 59-bed facility, Costa Mesa, California; Tustin Manor, 99-bed facility, Tustin, California; and Bayview Manor, 72-bed facility, Costa Mesa, California.

The CAREUNIT and HOPEUNIT Programs which Registrant operates are located as follows:

State	Programs	Beds Under Contract
Alabama	2	50
California	14	290
Colorado	2	64
District of Columbia	1	33
Florida	2	42
Georgia	1	38
Illinois	2	50
Michigan	2	91
Missouri	2	56
Montana	2	36
Nevada	1	15
New Mexico	1	18
Ohio	2	77
Oklahoma	2	48
Oregon	5	100
Tennessee	3	85
Texas	1	5
Washington	1	29
	46	1,137

A CAREUNIT Program involves a contracted service under which beds in a general hospital are utilized to provide alcoholic rehabilitation services. Under such contracts, the hospital provides beds, nurses, space for the CAREUNIT Team and other ancillary, diagnostic and support services. Registrant provides a 5-person treatment team consisting of a medical doctor, psychologist, program coordinator, social worker and alcoholism therapist. This team receives corporate support in the areas of program implementation, therapy team training, staff recruiting, continuing education, nurse and hospital employee training, community education, advertising, public relations and program quality assurance.

A HOPEUNIT Program involves a contracted service under which beds in a general hospital are utilized for provision of mental health services. A 5-person team from Registrant provides treatment for patients in need of medical care under a program similar to that provided in its CAREUNITS.

At May 31, 1979, there were 10 additional CAREUNIT Program contracts and one additional HOPEUNIT contract signed and pending implementation.

Registrant manages two free standing alcoholism hospitals which are owned by others. These facilities are located in Seattle, Washington and Tucson, Arizona, and total 117 beds.

During fiscal 1979, occupancy of the above facilities averaged approximately 70 percent compared to 72 percent during fiscal 1978. This slight decline was caused by the assimilation of Viewpark Community Hospital and the numerous new CAREUNIT Programs.

Literature Publishing and Distribution Services

CompCare Publications, a literature publishing and distribution center specializing in items related to Registrant's health care services, was opened in August, 1976. During 1979, it generated approximately 2 percent of total revenues in an essentially break-even effort.

Regulation

The operation of Registrant's facilities is subject to federal, state and local government regulation, periodic inspection and licensing regarding the fitness and adequacy of its buildings, their equipment, personnel, standards of medical care and drugs provided patients and adequacy of building standards including fire prevention standards. Changes in applicable statutes, ordinances, rules and regulations could require changes in Registrant's facilities, equipment, personnel or services.

Source of Revenues

Approximately 89% of Registrant's revenues are received from private sources (hospitals under Registrant's CAREUNIT and HOPEUNIT contracts, private health insurance coverage and directly from patients). The balance of its revenues are received from Medicare and Medicaid. The latter are governmental programs which provide for payments based upon rates set or approved by a governmental agency as they relate to costs on a hospital-by-hospital basis. This type of reimbursement does not contribute significantly to Registrant's earnings.

In recent years numerous hospital cost containment and national health insurance proposals have been introduced in Congress, and the Administration has stated that cost containment and national health insurance are important parts of its overall domestic policy. To date, neither cost containment nor national health insurance legislation has been enacted by Congress. If such legislation is passed and reimbursement methods similar to those now utilized under the Medicare and Medicaid programs are utilized, Registrant's earnings may be negatively impacted.

Insurance

Registrant carries insurance for property damage, public liability and malpractice covering all of its operations. The public liability and malpractice coverage limits are $5 million or more for each facility, except that such coverage applicable to CAREUNITS and HOPEUNITS is limited to an aggregate of $1 million combined single lim[illegible] which is the maximum coverage available for these units [illegible] reasonable premium cost.

Management

Registrant has centralized management of its operations at its executive and administrative offices which are located in Newport Beach, California. Registrant's centralized management provides control over accounting, medical insurance claims, governmental and statistical reporting, marketing, advertising and public relations, research, training and treatment progress evaluation.

Competition

Registrant's occupancy rates in its psychiatric and alcoholic rehabilitation hospitals are related to the number of staff doctors actively using the hospital facilities. Registrant's hospitals must compete for medical staff membership with other private psychiatric hospitals and general hospitals with acute psychiatric or alcoholism rehabilitation units. Although there are relatively few private psychiatric hospitals, there are many general hospitals with acute psychiatric units and a growing number of alcoholism treatment units in such hospitals. Most hospitals are either owned or supported by government agencies or owned by nonprofit corporations and supported by endowments and charitable contributions. This type of support, which is not available to Registrant, allows some of these hospitals to provide a wider scope of services and thereby to compete favorably with Registrant for medical staff membership.

Registrant's management believes that it is the largest private provider of alcoholic rehabilitation services in the United States. Its principal competition comes from general hospitals that have determined to provide psychiatric and alcoholism services using their own facilities rather than those of an independent hospital management service.

Employees

As of May 31, 1979, Registrant employed approximately 950 persons.

Registrant operates only one line of business, namely, the management and operation of health care facilities, as described above. Registrant's CompCare Publications operation is considered by it to be a separate segment of that general line of business, but since its revenues amount to only approximately 2% of total revenues, that segment is not separately reported.

Item 2. Summary of Operations

Comprehensive Care Corporation and Subsidiaries

Consolidated Summary of Operations

(Dollars in thousands)

	Year Ended May 31				
	1979	1978*	1977*	1976*	1975*
Revenues:					
Operating (Note C)	$28,726	$18,417	$13,981	$10,632	$ 7,956
Other	155	143	149	142	120
	28,881	18,560	14,130	10,774	8,076
Costs and expenses:					
Operating	17,083	11,282	8,498	6,207	5,099
General, administrative and marketing	6,849	4,490	3,772	2,919	1,793
Depreciation and amortization	715	554	463	328	292
Interest	495	470	410	319	337
	25,142	16,796	13,143	9,773	7,521
Earnings from continuing operations before taxes on income	3,739	1,764	987	1,001	555
Taxes on income (Note E)	1,868	861	432	516	284
Earnings from continuing operations	1,871	903	555	485	271
Losses from discontinued operations, net of income tax credits (Note E)	-	-	-	-	-
Earnings before extraordinary items	1,871	903	555	485	271
Extraordinary items	-	-	276	393	231
Net earnings	$ 1,871	$ 903	$ 831	$ 878	$ 502
Earnings per common share**					
Primary:					
Earnings from continuing operations	$ .59	$ .29	$ .21	$ .21	$ .12
Losses from discontinued operations net of income tax credits	-	-	-	-	-
Extraordinary items	-	-	.11	.18	.10
Net earnings	$ .59	$ .29	$ .32	$ .39	$ .22
Common and common equivalent shares used to compute primary earnings per share	3,194,232	3,113,688	2,618,256	2,261,414	2,271,58[illegible]
Fully diluted:					
Earnings from continuing operations	$ .57	$ .29	$ .18	$ .16	$ .09
Losses from discontinued operations, net of income tax credits	-	-	-	-	-
Extraordinary items	-	-	.09	.13	.08
Net earnings	$ .57	$ .29	$ .27	$ .29	$ .17
Common and common equivalent shares used to compute fully diluted earnings per share	3,309,480	3,113,688	3,045,257	2,993,414	3,003,588

*As restated to reflect accounting for certain leases as capital leases in accordance with FASB Statement No. 13.

**Adjusted for two-for-one stock split declared June 14, 1979 and six-for-five stock split declared June 16, 1978.

See notes to summary of operations

Item 2. Summary of Operations (continued)

Comprehensive Care Corporation and Subsidiaries

Consolidated Summary of Operations (continued)

(Dollars in thousands)

	Year Ended May 31		
	1974*	1973*	1972*
Revenues:			
Operating (Note C)	$ 5,959	$ 4,275	$ 2,762
Other	85	58	200
	6,044	4,333	2,962
Costs and expenses:			
Operating	3,829	2,800	2,331
General, administrative and marketing	1,294	909	993
Depreciation and amortization	267	241	216
Interest	406	361	325
	5,796	4,311	3,865
Earnings (loss) from continuing operations before taxes on income	248	22	(903)
Taxes on income (Note E)	130	9	(72)
Earnings (loss) from continuing operations	118	13	(831)
Losses from discontinued operations, net of income tax credits (Note E)	(9)	(14)	(547)
Earnings (loss) before extraordinary items	109	(1)	(1,378)
Extraordinary items	144	452	(1,375)
Net earnings (loss)	$ 253	$ 451	$ (2,753)
Earnings per common share**			
Primary:			
Earnings (loss) from continuing operations	$ .05	$ .01	$ (.38)
Losses from discontinued operations, net of income tax credits	-	(.01)	(.25)
Extraordinary items	.06	.20	(.63)
Net earnings (loss)	$ .11	$ .20	$ (1.26)
Common and common equivalent shares used to compute primary earnings per share	2,218,589	2,215,666	2,179,099
Fully diluted:			
Earnings (loss) from continuing operations	$ .05	$ .01	$ (.38)
Losses from discontinued operations, net of income tax credits	-	(.01)	(.25)
Extraordinary items	.06	.20	(.63)
Net earnings (loss)	$ .11	$ .20	$ (1.26)
Common and common equivalent shares used to compute fully diluted earnings per share	2,298,024	2,215,666	2,179,099

*As restated to reflect accounting for certain leases as capital leases in accordance with FASB Statement No. 13

**Adjusted for two-for-one stock split declared June 14, 1979 and six-for-five stock split declared June 16, 1978.

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

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

Note B - Change in Accounting for Leases

The Company's financial statements have been restated to reflect the accounting for certain leases entered into prior to January 1, 1977, as capital leases by recording assets and liabilities for leased property in accordance with FASB Statement No. 13, "Accounting for Leases." The effect of this change is a decrease in retained earnings at June 1, 1977, of $262,000 and a reduction of net income of $34,000 in 1979 and $38,000 in 1978.

Note C - 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.

Notes to Summary of Operations

Note D - 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 at May 31:

	Company's 50% Share			
	1979	1978	1977	1976
Assets				
Current assets	$ 764,000	$ 731,000	$ 567,000	$ 290,000
Property and equipment (net)	418,000	429,000	468,000	491,000
Other assets	3,000	4,000	1,000	3,000
	$1,185,000	$1,164,000	$1,036,000	$ 784,000
Liabilities and partner's equity				
Current liabilities	$ 276,000	$ 246,000	$ 207,000	$ 138,000
Long-term debt due after one year	379,000	400,000	421,000	439,000
Partner's equity	530,000	518,000	408,000	207,000
	$1,185,000	$1,164,000	$1,036,000	$ 784,000

	Company's 50% Share		
	1975	1974	1973
Assets			
Current assets	$ 301,000	$ 353,000	$ 203,000
Property and equipment (net)	515,000	548,000	582,000
Other assets	7,000	7,000	15,000
	$ 823,000	$ 908,000	$ 800,000
Liabilities and partner's equity			
Current liabilities	$ 150,000	$ 346,000	$ 266,000
Long-term debt due after one year	455,000	485,000	519,000
Partner's equity	218,000	77,000	15,000
	$ 823,000	$ 908,000	$ 800,000

The operating results of the joint venture partnership included in the consolidated statement of earnings are as follows for the year ended May 31:

	Company's 50% Share				
	1979	1978	1977	1976	1975
Revenues					
Operating	$2,710,000	$2,521,000	$2,187,000	$1,703,000	$1,273,000
Other	20,000	17,000	20,000	30,000	18,000
	2,730,000	2,538,000	2,207,000	1,733,000	1,291,000
Costs and expenses					
Operating	1,459,000	1,229,000	1,092,000	857,000	819,000
General, administrative and marketing	704,000	693,000	544,000	458,000	230,000
Depreciation and amortization	53,000	47,000	49,000	47,000	43,000
Interest	38,000	39,000	42,000	53,000	58,000
	2,254,000	2,008,000	1,727,000	1,415,000	1,150,000
Earnings before taxes on income	$ 476,000	$ 530,000	$ 480,000	$ 318,000	$ 141,000

Notes to Summary of Operations

	Company's 50% Share	
	1974	1973*
Revenues		
Operating	$ 1,031,000	$ 443,000
Other	11,000	4,000
	1,042,000	447,000
Costs and expenses		
Operating	699,000	309,000
General, administrative and marketing	173,000	113,000
Depreciation and amortization	28,000	14,000
Interest	79,000	28,000
	979,000	464,000
Earnings (loss) before taxes on income	$ 63,000	$ (17,000)

*Results of operations for seven months ended May 31, 1973

Notes to Summary of Operations

Note E - Taxes on Income:

The Company and its subsidiaries file consolidated corporate income tax returns. Prior to May 31, 1973, separate corporate income tax returns were filed.

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

	Year ended May 31			
	1979	1978	1977	1976
Federal income taxes	$ 1,533,000	$ 721,000	$ 353,000	$ 426,000
State income taxes	335,000	140,000	79,000	90,000
	$ 1,868,000	$ 861,000	$ 432,000	$ 516,000

	Year ended May 31			
	1975	1974	1973	1972
Federal income taxes	$ 237,000	$ 108,000	$ 7,000	$ (72,000)
State income taxes	47,000	22,000	2,000	-
	$ 284,000	$ 130,000	$ 9,000	$ (72,000)

Income tax credits applicable to losses from discontinued operations for the years ended May 31, 1974, 1973 and 1972, were $10,000, $15,000 and $118,000 respectively.

As of May 31, 1976, the Company had 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% (47.2% in 1979) to earnings from continuing operations before taxes on income follows:

	Year ended May 31			
	1979	1978	1977	1976
Statutory tax rate applied to pre-tax earnings	$ 1,765,000	$ 847,000	$ 474,000	$ 481,000
Add (deduct)				
State income taxes net of federal tax benefit	154,000	83,000	53,000	49,000
Investment tax credit	(48,000)	(26,000)	(93,000)	
New jobs credit	(53,000)	(52,000)		
Other, net	50,000	9,000	(2,000)	(14,000)
	$ 1,868,000	$ 861,000	$ 432,000	$ 516,000

	Year ended May 31			
	1975	1974	1973	1972
Statutory tax rate applied to pre-tax earnings	$ 266,000	$ 119,000	$ 11,000	$ -
Add (deduct)				
State income taxes net of federal tax benefit	28,000	15,000	1,000	
Other, net	(10,000)	(4,000)	(3,000)	(72,000)
	$ 284,000	$ 130,000	$ 9,000	$ (72,000)

Notes to Summary of Operations

Note F - 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:

	1979	1978	1977	1976
Common stock	3,194,232	3,113,688	2,618,256	2,253,602
Convertible preferred stock	-	-	-	7,812
	3,194,232	3,113,688	2,618,256	2,261,414
8% cash dividends	$ -	$ -	$ -	$ 24,000

	1975	1974	1973	1972
Common stock	2,252,837	2,199,838	2,196,915	2,179,099
Convertible preferred stock	18,751	18,751	18,751	-
	2,271,588	2,218,589	2,215,666	2,179,099
8% cash dividends	$ 24,000	$ 2,000	$ -	$ -

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

	1979	1978	1977	1976
Common stock	3,194,232	3,113,688	2,618,256	2,253,602
Convertible debentures	115,248	-	-	-
Convertible preferred stock	-	-	-	7,812
8% new preferred stock	-	-	427,001	732,000
	3,309,480	3,113,688	3,045,257	2,993,414

	1975	1974	1973	1972
Common stock	2,252,837	2,199,838	2,196,915	2,179,099
Convertible debentures	-	-	-	-
Convertible preferred stock	18,751	18,751	18,751	-
8% new preferred stock	732,000	79,435	-	-
	3,003,588	2,298,024	2,215,666	2,179,099

Notes to Summary of Operations

The weighted average number of shares outstanding used to compute primary and fully diluted earnings per share have been adjusted to reflect a two-for-one stock split declared June 14, 1979 and the six-for-five stock split declared June 16, 1978. Earnings per share for the year ended May 31, 1979 was calculated after giving effect to the elimination of interest expense, less income tax effect, applicable to the Convertible Debentures.

The dilutive effect of outstanding stock options and warrants was not significant in 1974, 1975, 1976, 1977, 1978 or 1979. In 1972 and 1973 the effect of stock options and warrants is antidilutive.

Cash dividends of $246,000, $156,000, $63,000 and $48,000 have been paid on common shares in 1979, 1978, 1977 and 1976, respectively. Shareholders of the convertible preferred stock were not entitled to cash dividends.

Note G - Pending Litigation and Claims:

A lawsuit initiated in August, 1976, has resulted in a $122,700 judgment against the Company's Texas subsidiary entered May 26, 1978. The suit alleged breach of an oral lease agreement which was claimed to exist both prior to and subsequent to the Company's acquisition of the subsidiary even though not disclosed by the acquisition documents as an obligation to be assumed. An appeal has been filed. Management believes, based upon the opinion of Texas counsel for the subsidiary, that the judgment will be reversed upon the appeal. If not reversed, it is anticipated that any loss incurred by the Company will be fully recovered from the seller of the subsidiary under an indemnification provision contained in the acquisition agreement.

Management Discussion And Analysis Of

The Summary Of Consolidated Operations

Fiscal 1979, Compared to 1978 (as restated)

Revenues for fiscal 1979 were $28.9 million compared to $18.6 million in fiscal 1978, a 55.4% increase. New operations accounted for approximately 55% of this increase, improved utilization of existing facilities accounted for approximately 30% and price increases accounted for the remainder.

Gross margin expressed as a percentage of revenue rose from 9.5% in fiscal 1978 to 12.9% in fiscal 1979 due principally to improvement in the utilization of existing facilities, faster recovery of start-up expenses and Registrant's ability to offset inflation with price increases.

Facility operating expenses expressed as a percentage of revenue declined from 60.8% in fiscal 1978 to 59.1% in fiscal 1979. General, administrative and marketing expenses, also expressed as a percentage of revenues, declined from 24.3% in fiscal 1978 to 23.8% in fiscal 1979.

Depreciation and amortization increased approximately $160,000 due partly to the inclusion for the first time of depreciation on the plant and equipment at Viewpark Community Hospital which was acquired September 30, 1978. Registrant's program to refurbish and upgrade its existing facilities accounted for the remainder of the increase in depreciation and amortization.

Interest expense (net) increased $25,000 or 5.3% in fiscal 1979 as compared with fiscal 1978. The increase was primarily due to increased borrowings and generally higher interest rates which were only partially offset by increased income from short-term investments.

As a result of the above factors, pre-tax earnings in fiscal 1979 increased $2.0 million (112%) over fiscal 1978.

Both fiscal 1979 and 1978 reflect the capitalization of capital leases in accordance with Statement No. 13 of the Financial Accounting Standards Board; the resulting charges to operations in fiscal 1979 and fiscal 1978 totaled $34,000 and $38,000, respectively.

Fiscal 1978 Compared with Fiscal 1977 (as restated)

Revenues for fiscal 1978 were $18.6 million compared with $14.1 million in fiscal 1977, an increase of

31%. New operations accounted for approximately 20% of this increase, improved utilization of existing facilities accounted for approximately 40% and price increases accounted for the remainder.

Gross margin expressed as a percentage of revenue rose from 7.0% in fiscal 1977 to 9.5% in fiscal 1978 as maturing new operations combined with improved existing operations resulted in better utilization of available capacity.

Facility operating expenses, as a percentage of revenue, remained constant at approximately 60%. General, administrative and marketing expenditures, as a percentage of revenue, declined from 26.7% in fiscal 1977 to 24.3% in 1978 reflecting the improved utilization of these resources.

Depreciation and amortization increased moderately from fiscal 1977 to fiscal 1978 as Registrant continued to make necessary improvements to its owned or leased operations. Interest expense (net) was higher in fiscal 1978 due to increased short-term borrowings necessary to meet working capital requirements.

As a result of the foregoing factors, pre-tax earnings rose $777,000 (79%) from fiscal 1977 to fiscal 1978.

Both fiscal 1978 and fiscal 1977 have been restated in accordance with Statement No. 13 of the Financial Accounting Standards Board and as a result include charges totaling $38,000 and $4,000, respectively.

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 $8,812.48 per month under a lease which expires in 1986. Registrant owns Bay View Convalescent Hospital and Viewpark Community Hospital. 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*
Trinity Oaks Hospital, Inc. 1066 West Magnolia Fort Worth, Texas 76104	1996	5,353*

Facility and Address	Lease Expires	Monthly Rental
Calabasas 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	7,745*
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%
Trinity Oaks Hospital, Inc.*	Texas	100%
CAREUNIT, Inc.*	California	100%
Terracina Convalescent Hospital**	California	100%

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* Subsidiaries included in consolidated financial statements.

** Inactive.

Item 5. Legal Proceedings.

Registrant was not engaged in any material legal proceedings as of May 31, 1979.

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, 1978 and May 31, 1979	-0-

Title of Class

(1) Common Stock, $.10 par value: Outstanding at June 1, 1978	1,297,432
(2) Issued in connection with 6-for-5 stock split	259,410
(3) Issued in partial consideration for hospital purchased	60,000
Outstanding at May 31, 1979	1,616,842

(b) (1) The transaction referred to in item (3) above involved the sale and issuance by Registrant of 60,000 shares of its Common Stock to Southwest Hospital Foundation in partial consideration for the purchase of Viewpark Community Hospital. Such purchase was consummated on September 28, 1978, at which date the closing price of Registrant's Common Stock in the over-the-counter market was $12.00 bid and $12.50 asked. Registrant and Southwest Hospital Foundation had agreed that the value of such stock was $13-1/8 per share.

No broker, 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 Securities Act of 1933 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.

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, 1979
Common Stock, par value $.10 per share	970

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

Not applicable.

Item 11. 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 directed, 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 to be 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 12. 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: None.

(b) Reports on Form 8-K. None filed during the quarter ended May 31, 1979.

PART II

Omitted. Registrant has filed with the Securities and Exchange Commission, proxy material with respect to its Annual Meeting to be held on September 27, 1979 covering its fiscal year ended May 31, 1979.

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

s/ William James Nicol
William James Nicol,
Vice President - Finance and Administration,
Secretary and Treasurer

DATED: August 21, 1979.

Financial Statements and Schedules

Years Ended May 31, 1979 and 1978

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.

(A) Including Comprehensive Care Corporation (parent only) financial statements - years ended May 31, 1979 and 1978, in Note 11.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of
Comprehensive Care Corporation

We have examined the consolidated balance sheet of Comprehensive Care Corporation and subsidiaries as of May 31, 1979 and 1978 and the related consolidated 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 circumstance.

In our opinion, the financial statements identified above present fairly the financial position of Comprehensive Care Corporation and subsidiaries at May 31, 1979 and 1978, 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 except for the change, with which we concur, in the method of accounting for leases as required by Financial Accounting Standards Board Statement No. 13 and as explained in the accompanying Notes to Consolidated Financial Statements.

Baron, Lesley, Thomas, Schwarz & Postma

BARON, LESLEY, THOMAS, SCHWARZ & POSTMA

Newport Beach, California
July 19, 1979

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

We have examined the balance sheets of Neuro Affiliates Company (A Joint Venture) as of May 31, 1979 and 1978, 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 accompanying financial statements present fairly the financial position of Neuro Affiliates Company at May 31, 1979 and 1978, 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 except for the change, with which we concur, in the method of accounting for leases as required by Financial Accounting Standards Board Statement No. 13 and as explained in the accompanying Notes to Financial Statements.

Baron, Lesley, Thomas, Schwarz & Postma

BARON, LESLEY, THOMAS, SCHWARZ & POSTMA

Newport Beach, California
July 19, 1979

Comprehensive Care Corporation and Subsidiaries

Consolidated Balance sheet

Assets	May 31 1979	May 31 1978*
Current assets:		
Cash, including time deposits of $650,000, 1979	$ 1,567,000	$ 910,000
Accounts receivable, less allowance for doubtful accounts of $444,000, 1979; $348,000, 1978 (Schedule XII)	5,174,000	3,403,000
Inventories (Note 1)	334,000	281,000
Prepaid expenses	804,000	387,000
Total current assets	7,879,000	4,981,000
Property and equipment, at cost (Notes 1, 3 & 5 and Schedules V and VI)		
Land and improvements	892,000	473,000
Buildings and improvements	3,016,000	1,540,000
Furniture and equipment	2,164,000	1,714,000
Leasehold improvements	202,000	168,000
Capital leases	4,831,000	4,831,000
	11,105,000	8,726,000
Less accumulated depreciation and amortization	3,213,000	2,811,000
	7,892,000	5,915,000
Other assets:		
Costs in excess of net assets of businesses purchased (Notes 1, 9 and Schedule VII)	382,000	517,000
Notes receivable (Note 9)	272,000	-
Other (Note 7)	492,000	521,000
	1,146,000	1,038,000
	$16,917,000	$11,934,000

Liabilities and Stockholders' Equity	1979	1978*
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,788,000	$ 1,399,000
Accrued advertising	956,000	181,000
Payable to third party payors within one year	451,000	550,000
Long-term debt payable within one year (Note 3)	342,000	486,000
Income taxes payable	868,000	484,000
Deferred income taxes	143,000	180,000
Total current liabilities	4,548,000	3,280,000
Long-term debt due after one year (Note 3)	6,497,000	[illegible],195,000
Commitments and contingent liabilities (Notes 5 and 6)		
Stockholders' equity (Notes 4 and 8)		
Common stock $.10 par value; authorized 5,000,000 shares; issued and outstanding, 1,616,842 shares, 1979, and 1,297,432 shares, 1978	162,000	130,000
Additional paid-in capital	2,592,000	1,836,000
Retained earnings	3,118,000	1,493,000
	5,872,000	3,459,000
	$16,917,000	$11,934,000

*As restated to reflect accounting for certain leases as capital leases in accordance with FASB Statement No. 13.

See notes to consolidated financial statements

Comprehensive Care Corporation and Subsidiaries

Consolidated Statement of Earnings

	Year Ended May 31	
	1979	1978*
Revenues:		
Operating (Note 1)	$ 28,726,000	$ 18,417,000
Other	155,000	143,000
	28,881,000	18,560,000
Costs and expenses:		
Operating	17,083,000	11,282,000
General, administrative and marketing	6,849,000	4,490,000
Depreciation and amortization (Notes 1 and 5 and Schedule VI)	715,000	554,000
Interest	495,000	470,000
	25,142,000	16,796,000
Earnings before taxes on income	3,739,000	1,764,000
Taxes on income (Note 7)	1,868,000	861,000
Net earnings	$ 1,871,000	$ 903,000
Earnings per common share (Note 1):**		
Primary	$.59	$.29
Assuming full dilution	$.57	$.29

*As restated to reflect accounting for certain leases as capital leases in accordance with FASB Statement No. 13.

**Adjusted for two-for-one stock split declared June 14, 1979, and for six-for-five stock split declared June 16, 1978.

See notes to consolidated financial statements

Comprehensive Care Corporation and Subsidiaries

Consolidated Statement of Stockholders' Equity

	Common Stock		Additional Paid-In Capital	Retained Earnings
	Shares	Amount		
Balances, May 31, 1977	1,287,182	$129,000	$1,819,000	$1,008,000
Cumulative effect of capitalization of capital leases				(262,000)
Adjusted balance-beginning of year	1,287,182	129,000	1,819,000	746,000
Net earnings				903,000
Exercise of employee stock options	10,250	1,000	17,000	
Dividends declared on common stock				(156,000)
Balances, May 31, 1978	1,297,432	130,000	1,836,000	1,493,000
Net earnings				1,871,000
Shares issued in connection with facility acquisition (Note 8)	60,000	6,000	782,000	
Six-for-five stock split	259,410	26,000	(26,000)	
Dividends declared on common stock				(246,000)
Balances, May 31, 1979	1,616,842	$162,000	$2,592,000	$3,118,000

See notes to consolidated financial statements

Comprehensive Care Corporation and Subsidiaries

Consolidated Statement of Changes in Financial Position

	Years Ended May 31	
	1979	1978*
Financial Resources Provided by:		
Operations		
Net earnings	$ 1,871,000	$ 903,000
Items not requiring outlay of working capital		
Depreciation and amortization of property and equipment	715,000	554,000
Deferred income taxes	161,000	(42,000)
Write-off of goodwill (Note 9)	135,000	-
Working capital provided by operations	2,882,000	1,415,000
Disposal of property and equipment	427,000	25,000
Additional long-term debt	2,525,000	1,118,000
Issuance of common stock	788,000	18,000
	6,622,000	2,576,000
Financial Resources Used for:		
Increase to notes receivable	272,000	-
Purchases of property and equipment	3,119,000	779,000
Reduction of obligations under capital leases	151,000	138,000
Reduction of long-term debt	1,072,000	555,000
Dividends	246,000	156,000
Other applications	132,000	52,000
	4,992,000	1,680,000
Increase in Working Capital	$ 1,630,000	$ 896,000
Summary of Changes in Components of Working Capital:		
Increase (decrease) in current assets:		
Cash	$ 657,000	$ 392,000
Accounts receivable	1,771,000	836,000
Inventories and prepaid expenses	470,000	(15,000)
	2,898,000	1,213,000
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	1,164,000	343,000
Payable to third-party payors within one year	(99,000)	(57,000)
Long-term debt payable within one year	(144,000)	(176,000)
Income taxes payable	347,000	207,000
	1,268,000	317,000
Increase in Working Capital	$ 1,630,000	$ 896,000

*As restated to reflect accounting for certain leases as capital leases in accordance with FASB Statement No. 13.

See notes to consolidated financial statments

Comprehensive Care Corporation and Subsidiaries

Notes to Consolidated Financial Statements

May 31, 1979 and 1978

Note 1 Summary of Significant Accounting Policies

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 revenues include 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 revenues 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--3 to 12 years; leasehold improvements--life of lease or life of asset, whichever is less.

Intangible Assets

Costs in excess of net assets of businesses purchased are not being amortized since, in the opinion of management, there has been no reduction in value.

Investment Tax Credits

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

Earnings Per Share

Primary earnings per share have been computed by using the weighted average number of common shares outstanding, after adjusting for a two-for-one stock split declared June 14, 1979. The weighted average number of shares was 3,194,232 and 3,113,688 for the years ended May 31, 1979 and 1978, respectively.

Fully diluted earnings per share have been computed by using the weighted average number of common shares and convertible common shares outstanding after adjusting for a two-for-one stock split declared June 14, 1979. The weighted average number of shares was 3,309,480 and 3,113,688 for the years ended May 31, 1979 and 1978, respectively.

Stock options, warrants and rights were not dilutive in 1979 or 1978.

Inventories

Inventories are stated at the lower of FIFO cost of market.

Change in Accounting for Leases

The Company's financial statements have been restated to reflect the accounting for the certain leases entered into prior to January 1, 1977, as capital leases by recording assets and liabilities for leased property in accordance with FASB Statement No. 13, "Accounting for Leases." The effect of this change is a decrease in retained earnings at June 1, 1977, of $262,000 and a reduction of net income of $34,000 in 1979 and $38,000 in 1978.

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

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 at May 31:

	Company's 50% Share	
	1979	1978
Assets		
Current assets	$ 764,000	$ 731,000
Property and equipment (net)	418,000	429,000
Other assets	3,000	4,000
	$1,185,000	$1,164,000
Liabilities and partner's equity		
Current liabilities	$ 276,000	$ 246,000
Long-term liabilities	379,000	400,000
Partner's equity	530,000	518,000
	$1,185,000	$1,164,000

The operating results of the joint venture partnership included in the consolidated statement of earnings are as follows for the year ended May 31:

	Company's 50% Share	
	1979	1978
Revenues		
Operating	$2,710,000	$2,521,000
Other	20,000	17,000
	2,730,000	2,538,000
Costs and expenses		
Operating	1,459,000	1,229,000
General, administrative and marketing	704,000	693,000
Depreciation and amortization	53,000	47,000
Interest	38,000	39,000
	2,254,000	2,008,000
Earnings before taxes on income	$ 476,000	$ 530,000

Note 3 Long-Term Debt

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

	1979	1978
6½% to 10% notes collateralized by trust deeds, payable in monthly installments with maturity dates from 1980 through 1993	$ 455,000	$ 531,000
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	64,000	90,000
8% unsecured notes payable monthly with maturity dates through 1993	652,000	-
9% convertible subordinated debentures with interest payable semi-annually, maturing in 1988	1,700,000	-
Capital lease obligations (Note 5)	3,532,000	3,683,000
Note payable, collateralized by equipment bearing interest at 1 7/8% over the prime rate, retired in 1979	-	967,000
Equipment contracts	65,000	42,000
Other	24,000	21,000
	6,839,000	5,681,000
Less amounts due within one year	342,000	486,000
	$ 6,497,000	$ 5,195,000

Annual maturities of long-term debt for the next five years amount to $342,000 in 1980, $325,000 in 1981, $310,000 in 1982, $296,000 in 1983 and $309,000 in 1984.

The Company has a working capital loan agreement with a bank whereby the Company may borrow, from time to time, certain amounts, evidenced by promissory notes, the aggregate of which cannot exceed $800,000. The notes bear interest at the rate of one percent over the bank's prime rate. There were no amounts outstanding under this line of credit at May 31, 1979.

On January 18, 1979, the Company issued 9% Convertible Subordinated Notes due 1988 in the amount of $1,700,000. Under terms of the agreement, the Company will establish a mandatory sinking fund equal to 15% of the notes each November 30th, beginning in 1983. The Company may not redeem the notes prior to November 30, 1981, but the holders may convert their notes into common stock at any time at a price equal to $5.375 per share. Terms of the agreement also require the Company to maintain a current ratio of not less than 1.5:1, to maintain funded debt at less than 80% of net assets not including funded debt, nor declare dividends in excess of 33 1/3% of cumulative net income subsequent to May 31, 1978. A portion of the proceeds of the loan were used to retire a bank loan of $850,000.

Note 4 Stockholders' Equity

Common Stock

On June 14, 1979, the Company declared a two-for-one stock split issued July 26, 1979, to holders of record at June 30, 1979.

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 not less than 100% of the fair market value at date of grant. During fiscal 1978, options to purchase 10,250 shares at $1.75 each were exercised. No options were outstanding at May 31, 1979 or May 31, 1978.

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. The option price per share for options granted must be at least 85% of the fair market value at the 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, 1979 and 1978, there were 75,000 shares available for grant.

Note 5 Leases

The Company and the joint venture partnership lease 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.

Equipment leases that do not have purchase options are not significant and are not included herein.

Total rental expense for all operating leases were as follows:

	1979	1978
Minimum Rentals	$ 162,000	$ 160,000
Contingent Rentals	4,000	-
Total Rentals	$ 166,000	$ 160,000

Assets under capital leases are capitalized using interest rates appropriate at the inception of each lease; contingent rents associated with capital leases in 1979 and 1978 were $222,000 and $219,000, respectively.

Future minimum payments, by year and in the aggregate, under capital leases and non-cancellable operating leases with initial or remaining terms of one year or more consisted of the following at May 31, 1979:

	Capital Leases			
	Company	Joint Venture	Total	Operating Leases
1980	$ 400,000	$ 57,000	$ 457,000	$ 173,000
1981	400,000	57,000	457,000	150,000
1982	400,000	57,000	457,000	122,000
1983	400,000	57,000	457,000	109,000
1984	400,000	57,000	457,000	104,000
Later Years	3,563,000	397,000	3,960,000	347,000
Total minimum lease payments	$5,563,000	$682,000	6,245,000	$1,005,000
Less amounts representing interest			2,713,000	
Present value of net minimum lease payments			$3,532,000	

Property and equipment accounts at May 31, include the following amounts for capital leases:

	1979	1978
Buildings	$ 4,831,000	$ 4,831,000
Less allowances for amortization	(1,901,000)	(1,663,000)
	$ 2,930,000	$ 3,168,000

Net capitalized costs included amounts previously accounted for as deferred charges and gains. These net unamortized amounts were $95,000 and $117,000 at May 31, 1979 and 1978 respectively.

Amortization of assets recorded under capital leases is included in depreciation expense.

Note 6 Contingent Liabilities

A lawsuit initiated in August, 1976, has resulted in a $122,700 judgment against the Company's Texas subsidiary entered May 26, 1978. The suit alleged breach of an oral lease agreement which was claimed to exist both prior to and subsequent to the Company's acquisition of the subsidiary even though not disclosed by the acquisition documents as an obligation to be assumed. An appeal has been filed. Management believes, based upon the opinion of Texas counsel for the subsidiary, that the judgment will be reversed upon the appeal. If not reversed, it is anticipated that any loss incurred by the Company will be fully recovered from the seller of the subsidiary under an indemnification provision contained in the acquisition agreement.

Note 7 Taxes on Income

Federal and state taxes on income consist of the following:

	1979	1978
Currently payable:		
Federal income taxes	$ 1,440,000	$ 722,000
State income taxes	304,000	140,000
	1,744,000	862,000
Deferred:		
Federal income taxes	93,000	(1,000)
State income taxes	31,000	-
	124,000	(1,000)
	$ 1,868,000	$ 861,000

Note 7 Taxes on Income (continued)

A reconciliation between total income taxes and the amount computed by applying the statutory federal income tax rate (47.2% in 1979 and 48% in 1978) to earnings before taxes on income is as follows:

	1979	1978
Statutory tax rate applied to pre-tax earnings	$ 1,765,000	$ 847,000
Add state income taxes net of federal tax benefit	154,000	83,000
Deduct investment tax credit	(48,000)	(26,000)
Deduct new jobs credit	(53,000)	(52,000)
Other	50,000	9,000
	$ 1,868,000	$ 861,000

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

	1979	1978
Capitalized lease costs not deductible for tax purposes	$ (31,000)	$ (42,000)
Excess tax over book depreciation	30,000	22,000
Cash basis accounting and different reporting period for tax purposes by joint venture	188,000	33,000
State income taxes not currently deductible	(79,000)	(31,000)
Other, net	16,000	17,000
	$ 124,000	$ (1,000)

Deferred tax charges of $171,000 for 1979 and $332,000 for 1978 are included in other assets.

Note 8 Acquisition of New Facility

On September 28, 1978, the Company purchased an acute medical-surgical facility consisting of both real and personal property and known as Viewpark Community Hospital. The hospital is located in Los Angeles and has a licensed capacity of 104 beds. The hospital represented almost all of the assets of the Southwest Hospital Foundation. The purchase price was $1,500,000, which consisted of $50,000 cash, 60,000 shares of common stock, valued at $788,000, and notes of $662,000. The notes require monthly payments over the next fifteen years with interest at 8%.

The Company plans to continue to operate the facility as a general medical-surgical care hospital.

Note 8 Acquisition of New Facility (continued)

The following schedule presents the pro-forma results of operations for Comprehensive Care Corporation and Subsidiaries for the years ended May 31, 1979 and 1978 and the results of operations of Viewpark Community Hospital for the years then ended:

1979	Comprehensive Care Corporation	Viewpark Community Hospital	Eliminations (3)	Combined
Revenues	$25,695,000	$3,285,000	$(99,000)	$28,881,000
Income (Loss) before income taxes	$ 3,861,000	$ (122,000)	$ -	$ 3,739,000
Taxes on income (1)	1,929,000	(61,000)	-	1,868,000
Net income (loss)	$ 1,932,000	$ (61,000)	$ -	$ 1,871,000
Earnings per share				
Primary	$.60	$(.02)	$ -	$.58
Assuming full dilution	$.59	$(.02)	$ -	$.57
Average No. shares outstanding (2)				
Primary				3,233,684
Fully diluted				3,348,931

1978	Comprehensive Care Corporation	Viewpark Community Hospital	Eliminations (3)	Combined
Revenues	$18,560,000	$ 2,991,000	$(197,000)	$ 21,354,000
Income before income taxes	$ 1,764,000	$ 28,000	$ -	$ 1,792,000
Taxes on income (1)	861,000	14,000	-	875,000
Net income	$ 903,000	$ 14,000	$ -	$ 917,000
Earnings per share, primary and assuming full dilution	$.28	$ -	$ -	$.28
Average No. shares outstanding, Primary and fully diluted (2)				3,233,684

(1) Viewpark Community Hospital was previously operated by a non-profit foundation. The consolidated effective tax rate has been used for pro forma purposes.

(2) The average number of shares outstanding used to compute earnings per share reflect 60,000 shares issued in connection with the acquisition as though they has been outstanding at the beginning of the periods reported. The average number of shares outstanding also reflect a two-for-one stock split declared June 14, 1979.

(3) The Company had a contract with Viewpark Community Hospital to perform certain services. Charges relating to this service have been eliminated.

Note 9 Note Receivable

On May 16, 1979, the Company sold all the assets of Gilmar Manor, a residential care facility. The selling price was $447,000 with the purchaser assuming a related first trust deed. As part of the transaction, the Company received a note receivable, secured by a second deed of trust, for approximately $267,000. The terms call for monthly payments, at 9% interest, to be made through 1994. Costs in excess of net assets related to the purchase of this facility, amounting to $135,000, were charged to earnings in the current period.

Note 10 Quarterly Results (Unaudited): Years Ended May 31, 1979 and 1978

1979	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 5,892,000	$ 6,575,000	$ 7,329,000	$ 9,085,000
Earnings before income taxes	$ 941,000	$ 648,000	$ 694,000	$ 1,456,000
Federal and state income taxes	470,000	324,000	347,000	727,000
Net earnings	$ 471,000	$ 324,000	$ 347,000	$ 729,000
Per share - fully diluted	$ .15	$ .10	$ .11	$ .21

1978	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 4,101,000	$ 4,437,000	$ 4,549,000	$ 5,473,000
Earnings before income taxes	$ 108.000	$ 474,000	$ 444,000	$ 738,000
Federal and state income taxes	52,000	226,000	194,000	389,000
Net earnings	$ 56,000	$ 248,000	$ 250,000	$ 349,000
Per share - fully diluted	$ .02	$ .08	$ .08	$ .11

Note 11- Financial Statements of Parent Company:

Financial statements of the parent company, Comprehensive Care Corporation, are as follows:

Comprehensive Care Corporation

Balance Sheet

	May 31 1979	May 31 1978*
Assets		
Current assets		
Cash, including time deposits of $650,000, 1979	$ 1,365,000	$ 707,000
Accounts receivable, less allowance for doubtful accounts of $286,000, 1979, and $134,000, 1978 (Schedule XII)	3,378,000	810,000
Prepaid expenses	868,000	386,000
Total current assets	5,611,000	1,903,000
Investment in Wholly-Owned Subsidiaries, Equity Method (Schedule III)	7,157,000	7,317,000
Property and Equipment, at cost (Notes 1, 3 and 5 and Schedules V and VI)		
Land	532,000	210,000
Buildings and improvements	2,138,000	957,000
Furniture and equipment	1,546,000	1,021,000
Leasehold improvements	202,000	168,000
Capital leases	1,591,000	1,591,000
	6,009,000	3,947,000
Less accumulated depreciation and amortization	(1,116,000)	(888,000)
	4,893,000	3,059,000
Other assets		
Cost in excess of net assets of businesses purchased (Notes 1 and 9 and Schedule VII)	382,000	517,000
Other	697,000	455,000
	1,079,000	972,000
	$18,740,000	$13,251,000
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 13)	$ 2,257,000	$ 951,000
Payable to third party payors within one year	115,000	58,000
Long-term debt payable within one year (Note 3)	216,000	371,000
Income taxes payable	868,000	484,000
Deferred income taxes	143,000	180,000
Total current liabilities	3,599,000	2,044,000
Payable to Wholly-Owned Subsidiaries (Schedule IV)	5,174,000	5,083,000
Long-Term Debt Due After One Year (Note 3)	4,095,000	2,665,000
Commitments and contingent liabilities (Notes 5 and 6)		
Stockholders' Equity (Notes 4 and 8)		
Common stock, $ .10 par value; Authorized 5,000,000 shares; Issued and outstanding 1,616,842 shares, 1979 and 1,297,432 shares, 1978	162,000	130,000
Additional paid-in capital	2,592,000	1,836,000
Retained earnings	3,118,000	1,493,000
	5,872,000	3,459,000
	$18,740,000	$13,251,000

*As restated to reflect FASB Statement No. 13.

See notes to consolidated financial statements

Comprehensive Care Corporation

Statement of Earnings

	Year Ended May 31 1979	1978*
Revenue		
Operating (Note 1)	$18,397,000	$ 4,266,000
Other	96,000	88,000
	18,493,000	4,354,000
Costs and Expenses		
Operating	11,521,000	2,947,000
General, administrative and marketing	5,227,000	2,408,000
Depreciation and amortization (Notes 1, 5 & Schedule VI)	434,000	263,000
Interest	330,000	274,000
	17,512,000	5,892,000
Income (loss) before income taxes and equity in net earnings of subsidiaries	981,000	(1,538,000)
Income taxes	490,000	(780,000)
Income (loss) before equity in net earnings of subsidiaries	491,000	(758,000)
Equity in net earnings of subsidiaries	1,380,000	1,661,000
Net Earnings	$ 1,871,000	$ 903,000

*As restated to reflect FASB Statement No. 13.

See notes to consolidated financial statements

Note 11 - Financial Statements of Parent Company (Continued):

Comprehensive Care Corporation

Statement of Changes in Financial Position

	Year Ended May 31 1979	Year Ended May 31 1978*
Financial Resources Provided by:		
Operations		
Net earnings	$ 1,871,000	$ 903,000
Items not requiring (providing) outlay of working capital		
Depreciation and amortization of property and equipment	434,000	263,000
Equity in earnings of subsidiaries	160,000	(3,303,000)
Deferred income tax	161,000	(42,000)
Write-off of goodwill	135,000	-
Working capital provided from (required for) operations	2,761,000	(2,179,000)
Disposal of property and equipment	412,000	23,000
Increase in amounts due to subsidiaries	91,000	2,467,000
Issuance of common stock	788,000	18,000
Additional long-term debt due after one year	2,525,000	1,008,000
	6,577,000	1,337,000
Financial Resources Used For:		
Increase in notes receivable	272,000	-
Net transfer of equipment from wholly-owned subsidiary	80,000	-
Purchase of property and equipment	2,600,000	259,000
Reduction of long-term debt due after one year	1,095,000	581,000
Dividends	246,000	156,000
Other applications	131,000	67,000
	4,424,000	1,063,000
Increase in working capital	$ 2,153,000	$ 274,000

Summary of Changes in Components of Working Capital:

	1979	1978*
Increase in Current Assets:		
Cash	$ 658,000	$ 359,000
Accounts receivable	2,568,000	339,000
Prepaid expenses	482,000	43,000
	3,708,000	741,000
Increase (Decrease) in Current Liabilities:		
Accounts payable and accrued liabilities	1,306,000	373,000
Payable to third party payors within one year	57,000	40,000
Long-term debt payable within one year	(155,000)	(153,000)
Income taxes payable	347,000	207,000
	1,555,000	467,000
Increase in Working Capital	$ 2,153,000	$ 274,000

*As restated to reflect FASB Statement No. 13.

See notes to consolidated financial statements

Note 12 Supplementary Income Statement Information

The following amounts were charged to costs and expenses:

	Company		Consolidated	
	1979	1978	1979	1978
Depreciation and amortization of property, plant and equipment	$ 434,000	$ 263,000	$ 715,000	$ 554,000
Taxes other than income taxes:				
Payroll	$ 211,000	$ 172,000	$ 671,000	$ 565,000
Real and personal property	$ 79,000	$ 84,000	$ 137,000	$ 179,000
Other	$ 19,000	$ -	$ 23,000	$ 19,000
Rents	$ 445,000	$ 412,000	$1,045,000	$ 959,000
Advertising	$ 438,000	$ 329,000	$1,910,000	$ 815,000

There were no research and development costs paid during the above years. Royalties paid were insignificant.

Note 13 Accounts Payable and Accrued Liabilities

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

Company		Consolidated	
1979	1978	1979	1978
$ 105,000	$ 20,000	$ 218,000	$ 192,000

NEURO AFFILIATES COMPANY
(A Joint Venture)

BALANCE SHEET

ASSETS

	May 31	
	1979	1978
CURRENT ASSETS		
Cash	$ 333,000	$ 384,000
Accounts receivable, less allowance for doubtful accounts of $82,000 and $79,000	1,108,000	1,001,000
Prepaid expenses, supplies and other assets	73,000	76,000
	1,514,000	1,461,000
EQUIPMENT AND IMPROVEMENTS, at cost (Notes 1 and 4)		
Furniture and equipment	270,000	237,000
Building improvements	158,000	115,000
Capitalized building leases	1,008,000	1,008,000
	1,436,000	1,360,000
Less accumulated depreciation and amortization	(600,000)	(501,000)
	836,000	859,000
OTHER ASSETS (Note 1)	7,000	7,000
	$2,357,000	$2,327,000

LIABILITIES AND PARTNERS' CAPITAL

	1979	1978
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 298,000	$ 209,000
Estimated amounts due under insurance programs (Note 2)	146,000	208,000
Amounts due (from) to affiliated companies, net (Note 3)	51,000	32,000
Capitalized lease obligations, current portion	43,000	39,000
Total current liabilities	538,000	488,000
CAPITALIZED LEASE OBLIGATIONS (Note 4)	758,000	802,000
PARTNERS' CAPITAL	1,061,000	1,037,000
	$2,357,000	$2,327,000

See accompanying notes

NEURO AFFILIATES COMPANY
(A Joint Venture)

STATEMENT OF INCOME AND PARTNERS' CAPITAL

	YEAR ENDED MAY 31	
	1979	1978
REVENUES		
Patient care	$ 5,420,000	$ 5,043,000
Other	40,000	35,000
	5,460,000	5,078,000
COSTS AND EXPENSES (Notes 1 and 3)		
Operating	3,060,000	2,630,000
Cumulative effect of lease capitalization		138,000
General and administrative	1,449,000	1,386,000
	4,509,000	4,154,000
NET INCOME	951,000	924,000
PARTNERS' CAPITAL, at beginning of year	1,037,000	953,000
PAYMENT TO PARTNERS	(927,000)	(840,000)
PARTNERS' CAPITAL, at end of year	$ 1,061,000	$ 1,037,000

See accompanying notes

NEURO AFFILIATES COMPANY

(A Joint Venture)

STATEMENT OF CHANGES IN FINANCIAL POSITION

	YEAR ENDED MAY 31	
	1979	1978
FINANCIAL RESOURCES WERE PROVIDED BY		
Operations		
Net income	$ 951,000	$ 924,000
Charges to income not requiring an outlay of working capital		
Depreciation of equipment and improvements	98,000	92,000
Lease capitalization		138,000
Working capital provided by operations	1,049,000	1,154,000
FINANCIAL RESOURCES WERE USED FOR		
Purchase of equipment and improvements	76,000	12,000
Net effect of capitalization of leases		75,000
Reduction and reclassification of capitalized lease obligations	43,000	
Payments to partners	927,000	840,000
	1,046,000	927,000
INCREASE IN WORKING CAPITAL	$ 3,000	$ 227,000

CHANGES IN COMPONENTS OF WORKING CAPITAL		
Increase (decrease) in current assets		
Cash	$ (51,000)	$ 185,000
Accounts receivable - net	107,000	184,000
Prepaid expenses, supplies and other assets	(3,000)	(41,000)
	53,000	328,000
Increase (decrease) in current liabilities		
Accounts payable and accrued expenses	89,000	(23,000)
Estimated amounts due under insurance programs	(62,000)	58,000
Amounts due (from) to affiliated companies - net	19,000	27,000
Capitalized lease obligations	4,000	39,000
	50,000	101,000
INCREASE IN WORKING CAPITAL	$ 3,000	$ 227,000

See accompanying notes

NEURO AFFILIATES COMPANY
(A Joint Venture)

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1979 and 1978

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 building improvements is depreciated or amortized over the estimated useful lives of the assets (five to twelve years) using the straight-line method of depreciation. Capitalized leases are amortized over the life of the lease using the straight-line method of depreciation.

Change in Accounting for Leases - The Company's financial statements have been restated to reflect the accounting for certain leases entered into prior to January 1, 1977, as capital leases by recording assets and liabilities for leased property in accordance with FASB Statement No. 13, "Accounting for Leases." The effect of this change is a decrease in earnings of $16,000 in 1979 and $158,000 in 1978.

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 1979 and 1978, include $36,000 paid to Comprehensive Care Corporation and $80,000 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 parties.

NOTE 4 - COMMITMENTS

The following is a schedule of future minimum lease payments under capital leases and the present value of the net minimum lease payments as of May 31, 1979.

Year Ending May 31:	
1980	$ 114,528
1981	114,528
1982	114,528
1983	114,528
1984	114,528
Later years	794,328
Net minimum lease payments	1,366,968
Less amount representing interest	565,968
	$ 801,000

Contingent rent associated with capital leases was $146,808 in 1979 and 1978.

Comprehensive Care Corporation and Subsidiaries

Investments In, Equity In earnings of
And Dividends Received From Affiliates

Years Ended May 31, 1979 and 1978

Schedule III

Name of issuer and description of investment	Balance at beginning of period		Additions			Deductions			Balance at end of period		Dividends received during the period from investments not accounted for by the equity method
			Equity taken up in earnings (loss) of affiliates for the period	Other		Distribution of earnings (loss) by affiliates in which earnings (loss) were taken up	Other				
	Percent of ownership	Amount		Percent of ownership	Amount		Percent of ownership	Amount	Percent of ownership	Amount	
Year Ended May 31, 1979											
NPHS, Inc. investment in joint venture in Neuro Affiliates Company, a partnership	50%	$518,000	$476,000	-	$ -	$464,000	-	$ -	50%	$530,000	$ -
Year Ended May 31, 1978*											
NPHS, Inc. investment in joint venture in Neuro Affiliates Company, a partnership	50%	$408,000	$530,000	-	$ -	$420,000	-	$ -	50%	$518,000	$ -

*As restated to reflect accounting for certain leases or capital leases in accordance with FASB Statement No. 13.

Comprehensive Care Corporation

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

Year Ended May 31, 1978*

Name of issuer and description of investment	Balance at beginning of period: Number of shares	Balance at beginning of period: Amount	Additions: Equity taken up in earnings (loss) of affiliates for the period	Additions: Other: Number of shares	Additions: Other: Amount	Deductions: Distribution of earnings (loss) by affiliates in which earnings (loss) were taken up	Deductions: Other: Number of shares	Deductions: Other: Amount	Balance at end of period: Number of shares	Balance at end of period: Amount	Dividends received during the period from investments not accounted for by the equity method
Consolidated Subsidiaries											
NPHS, Inc. common stock par value $10 a share	320	$2,537,000	$1,765,000 (a)	-	$ -	$ -	-	$ -	320	$4,302,000	$ -
Terracina Convalescent Hospital & Home, Inc. common stock, par value $100 a share	50	58,000							50	58,000	
Trinity Oaks Hospital, Inc. common stock par value $1 a share	10,002	139,000	(213,000)						10,002	(74,000)	
CAREUNIT, Inc. common stock, par value $1 a share	500	1,279,000	1,751,000	500	1,000				500	3,031,000	
		$4,013,000	$3,303,000		$1,000	$ -		$ -		$7,317,000	$ -

*As restated to reflect accounting for certain leases as capital leases in accordance with FASB Statement No. 13.

(a) Includes joint venture earnings before taxes on income of $530,000.

Comprehensive Care Corporation

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

Year Ended May 31, 1979

Schedule III (Continued)

Name of issuer and description of investment	Balance beginning of period: Number of Shares	Balance beginning of period: Amount	Additions: Equity taken up in earnings (loss) of affiliates for the period	Additions: Number of shares	Additions: 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	$4,302,000	$2,659,000(A)	-	$ -	$ -	-	$ -	320	$6,961,000	$ -
Terracina Convalescent Hospital & Home, Inc. common stock, par value $100 a share	50	58,000							50	58,000	
Trinity Oaks Hospital, Inc. common stock, par value $1 a share	10,002	(74,000)	(55,000)						10,002	(129,000)	
CAREUNIT, Inc. common stock, par value $1 a share	1,000	3,031,000	154,000	500				(2,918,000)(B)	1,000	267,000	
		$7,317,000	$2,758,000					$(2,918,000)		$7,157,000	

(A) Includes joint venture earnings before taxes on income of $476,000
(B) Transfer to parent company

Comprehensive Care Corporation

Indebtedness of and to Affiliates

Years Ended May 31, 1979 and 1978

Name of Affiliate	Balance receivable (payable) at beginning of period	Balance receivable (payable) at end of period
Year ended May 31, 1979:		
Amounts eliminated in consolidation:		
Wholly-owned subsidiaries:		
NPHS, Inc.	$ (3,183,000)	$ (5,350,000)
Terracina Convalescent Hospital & Home, Inc.	(64,000)	(64,000)
Trinity Oaks Hospital, Inc.	50,000	380,000
CAREUNIT, Inc.	(1,887,000)	(140,000)
	(5,084,000)	(5,174,000)
Neuro Affiliates Company (50% interest)	9,000 (a)	-
Total eliminated in consolidation	(5,075,000)	(5,174,000)
Amount not eliminated in consolidation		
Neuro Affiliates Company	(8,000) (b)	-
Total indebtedness of and to Affiliates	$ (5,083,000)	$ (5,174,000)
Year Ended May 31, 1978:		
Amounts eliminated in consolidation:		
Wholly-owned subsidiaries:		
NPHS, Inc.	$ (1,913,000)	$ (3,183,000)
Terracina Convalescent Hospital & Home, Inc.	(53,000)	(64,000)
Trinity Oaks Hospital, Inc.	(147,000)	50,000
CAREUNIT, Inc.	(504,000)	(1,887,000)
	(2,617,000)	(5,084,000)
Neuro Affiliates Company (50% interest)	(10,000) (c)	(9,000) (a)
Total eliminated in consolidation	(2,627,000)	(5,075,000)
Amount not eliminated in consolidation		
Neuro Affiliates Company	(10,000) (d)	(8,000) (b)
Total indebtedness of and to Affiliates	$ (2,637,000)	$ (5,083,000)

(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.

Schedule V

Comprehensive Care Corporation and Subsidiaries
Property, Plant and Equipment
Years Ended May 31, 1979 and 1978

Classification	Balances at Beginning of Period	Additions at Cost	Sales, Retirements and Abandonments	Other Changes	Balance at End of Period
Company:					
Year ended May 31, 1979					
Land and improvements	$ 210,000	$ 387,000	$ 65,000	$ -	$ 532,000
Buildings and improvements	957,000	1,509,000	385,000	57,000 (A)	2,138,000
Furniture and equipment	1,021,000	670,000	229,000	141,000 (B) (57,000) (A)	1,546,000
Leasehold improvements	168,000	34,000	-	-	202,000
Capital leases	1,591,000	-	-	-	1,591,000
	$ 3,947,000	$ 2,600,000	$ 679,000	$ 141,000	$ 6,009,000
Year ended May 31, 1978*					
Land and improvements	$ 210,000	$ -	$ -	$ -	$ 210,000
Buildings and improvements	905,000	84,000	32,000	-	957,000
Furniture and equipment	991,000	158,000	2,000	(126,000) (A)	1,021,000
Leasehold improvements	25,000	17,000	-	126,000 (A)	168,000
Capital leases	1,591,000	-	-	-	1,591,000
	$ 3,722,000	$ 259,000	$ 34,000	$ -	$ 3,947,000
Consolidated					
Year ended May 31, 1979					
Land and improvements	$ 473,000	$ 484,000	$ 65,000	$ -	$ 892,000
Buildings and improvements	1,540,000	1,855,000	424,000	45,000 (A)	3,016,000
Furniture and equipment	1,714,000	743,000	251,000	(42,000) (A)	2,164,000
Leasehold improvements	168,000	37,000	-	(3,000) (A)	202,000
Capital leases	4,831,000	-	-	-	4,831,000
	$ 8,726,000	$ 3,119,000	$ 740,000	$ -	$11,105,000
Year ended May 31, 1978*					
Land and improvements	$ 326,000	$ 147,000	$ -	$ -	$ 473,000
Buildings and improvements	1,251,000	322,000	33,000	-	1,540,000
Furniture and equipment	1,549,000	295,000	4,000	(126,000) (A)	1,714,000
Leasehold improvements	27,000	15,000	-	126,000 (A)	168,000
Capital leases	4,831,000	-	-	-	4,831,000
	$ 7,984,000	$ 779,000	$ 37,000	$ -	$ 8,726,000

*As restated to reflect accounting for certain leases as capital leases in accordance with FASB Statement No. 13.
(A) Reclassifications
(B) Net transfers to/from wholly-owned subsidiaries

Comprehensive Care Corporation and Subsidiaries
Accumulated Depreciation of Property, Plant and Equipment
Years Ended May 31, 1979 and 1978*

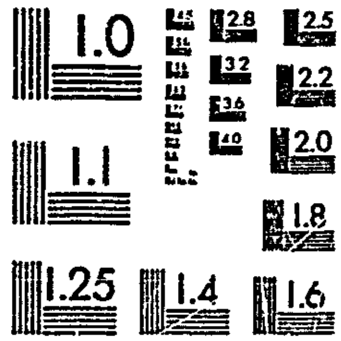
	Balance at beginning period	Additions charged to costs and expenses	Sales, retirements and abandonments	Other changes	Balance at end of period
Company:					
Year Ended May 31, 1979:					
Buildings and improvements	$ 200,000	$ 83,000	$ 97,000	$ -	$ 186,000
Furniture and equipment	410,000	216,000	170,000	61,000(b)	517,000
Leasehold improvements	31,000	55,000	-	-	86,000
Capital Leases	247,000	80,000	-	-	327,000
	$ 888,000	$ 434,000	$ 267,000	$ 61,000	$1,116,000
Year Ended May 31, 1978:*					
Buildings and improvements	$ 170,000	$ 37,000	$ 7,000	$ -	$ 200,000
Furniture and equipment	289,000	127,000	4,000	(2,000) (a)	410,000
Leasehold improvements	10,000	19,000	-	2,000 (a)	31,000
Capital leases	167,000	80,000	-	-	247,000
	$ 636,000	$ 263,000	$ 11,000	$ -	$ 888,000
Consolidated:					
Year Ended May 31, 1979:					
Buildings and improvements	$ 329,000	$ 144,000	$ 126,000	$ -	$ 347,000
Furniture and equipment	788,000	278,000	187,000	-	879,000
Leasehold improvements	31,000	55,000	-	-	86,000
Capital leases	1,663,000	238,000	-	-	1,901,000
	$2,811,000	$ 715,000	$ 313,000	$ -	$3,213,000
Year Ended May 31, 1978:*					
Buildings and improvements	$ 254,000	$ 81,000	$ 6,000	$ -	$ 329,000
Furniture and equipment	579,000	216,000	5,000	(2,000) (a)	788,000
Leasehold improvements	10,000	19,000	-	2,000 (a)	31,000
Capital leases	1,425,000	238,000	-	-	1,663,000
	$2,268,000	$ 554,000	$ 11,000	$ -	$2,811,000

*As restated to reflect accounting for certain leases as capital leases in accordance with FASB Statement No. 13.

(a) Reclassifications.

(b) Net transfers from wholly-owned subsidiaries.

Schedule VI


1.0
2.8
2.5
3.2
2.2
3.6
4.0
2.0
1.1
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1.4
1.6

Comprehensive Care Corporation and Subsidiaries

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

Years Ended May 31, 1979 and 1978

Classification	Balance at beginning of period	Additions at cost	Deductions: Charged to costs and expenses	Deductions: Charged to other accounts	Balance at end of period
Company and consolidated:					
Year ended May 31, 1979					
Cost in excess of net assets of purchased businesses	$ 517,000	$ -	$ 135,000	$ -	$ 382,000
Year ended May 31, 1978					
Cost in excess of net assets of purchased businesses	$ 517,000	$ -	$ -	$ -	$ 517,000

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Schedule XII

Comprehensive Care Corporation and Subsidiaries

Valuation and Qualifying Accounts and Reserves

Year Ended May 31, 1979 and 1978

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, 1979	$ 134,000	$ 358,000	26,000(b) $ 74,000(a) 103,000(c)	$ 409,000	$ -	$ 286,000
Year ended May 31, 1978	$ 81,000	$ 213,000	$ 14,000(b)	$ 174,000	$ -	134,000
Consolidated:						
Year ended May 31, 1979	$ 348,000	$ 662,000	73,000(b) $ 105,000(c)	$ 744,000	$ -	$ 444,000
Year ended May 31, 1978	$ 240,000	$ 517,000	$ 62,000(b)	$ 471,000	$ -	$ 348,000

(a) Transfer from wholly-owned subsidiary
(b) Amounts are recoveries on accounts previously charged to this reserve.
(c) Acquired with purchase of new facility (see footnote 8)

END