Securities and Exchange Commission

Washington, D.C. 20549

ORIGINAL
5 11-542

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, 1982

Commission file no. 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 Floor 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: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, Par Value $.10 per share
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ✓ No____

The aggregate market value of voting stock held by non-affiliates of Registrant at July 16, 1982, was $136,211,790.

At July 16, 1982, Registrant had 9,906,312 shares of Common Stock outstanding.

Parts I and III incorporate information by reference from the Proxy Statement for Registrant's Annual Meeting of Stockholders to be held on September 30, 1982.

Part I

Item 1. Business.

The Registrant, Comprehensive Care Corporation, is a Delaware corporation which was organized in January 1969. Registrant is primarily engaged in the development, implementation and management of programs for the delivery of alcoholism and psychiatric treatment services (the "Programs"). These services are provided under contractual agreements with independent general hospitals or directly at specialty hospitals owned and/or operated by Registrant. It is the largest private provider of hospital-based alcoholism treatment services in the United States. During fiscal 1982 alcoholism and psychiatric treatment services accounted for approximately 89% of Registrant's total revenues. The tables below summarize relevant information regarding Registrant's operation.

Facility Inventory

	1978	1979	1980	1981	1982
Psychiatric Hospitals	2	2	2	2	2
Alcoholism Treatment Facilities	3	4	5	6	6
Long-Term Care Facilities	4	3	3	3	3
Adult CareUnits	28	43	52	60	73
Adolescent CareUnits	--	1	1	2	12
StressCenters	2	2	3	4	7
Publications	1	1	1	1	1
	40	56	67	78	104

Hospital Operations

Facility	Date Acquired	Licensed Capacity	Patient Days 1978	1979	1980	1981	1982
Brea Neuropsychiatric Center	1969	142	28,350	29,049	31,824	33,495	40,427
Woodview-Calabasas Hospital	1970	117	23,528	20,068	23,323	25,612	23,854
CareUnit Hosp. Dallas/Ft. Worth	1971	43	3,478	4,680	6,890	8,384	10,917
Crossroads Hospital	1972	33	10,117	8,369	10,757	11,135	[illegible],295
CareUnit Hosp. of Orange	1976	94	15,882	18,785	21,481	27,109	31,098
CareUnit Hosp. of Los Angeles	1978	104	—	8,940	12,587	15,043	14,669
CareUnit Hosp. of Kirkland*	1981	82	—	13,793	25,505	26,606	25,391
Shenandoah Lodge**	1979	24	—	—	3,980	4,251	3,518
CareUnit of Jacksonville Beach	1982	84	—	—	—	—	35
CareUnit Hosp. of Cincinnati***	1982	84	—	—	—	—	—

*Managed from 1978 until purchase by Registrant in April 1981
**Closed in February 1982
***Opened June 1, 1982

Contract Operations

	1978	1979	1980	1981	1982
Patient Days Served During Period	157,265	234,420	316,551	396,714	474,964
Facilities—Beginning of Period	23	30	46	56	66
Additions	7	20	14	15	39
Deletions	0	4	4	5	13
Facilities—End of Period	30	46	56	66	92
Average Occupied Beds Per Contract	16.9	17.9	17.4	17.8	16.6
Beds Available End of Period	671	1,117	1,394	1,543	2,113
Average Occupancy Rate for Period	73.4%	75.1%	71.2%	74.2%	72.5%

Alcoholism Treatment Services

Registrant provides alcoholism treatment services in six facilities operated by it and 74 independent general hospitals which have entered into 85 CareUnit contracts ("Contracts") with it. The alcoholism Program was developed and introduced by Registrant in May 1973 under the name CareUnit (Comprehensive Alcoholic Rehabilitation Environment *Unit*). It was originally directed toward the adult alcoholic but has been adapted and expanded to treat adolescents.

The alcoholism Program is a hospital-based program which treats the disease of alcoholism as a family problem through the use of a skilled interdisciplinary team which includes medical, psychological, educational and counseling personnel. Registrant believes that about one-half of all patients treated also suffer from other chemical addictions, principally prescription drugs. The scheduled length of hospital stay for an adult patient is 21 days after detoxification, with an average stay of approximately 18 days. An adolescent patient's hospital stay averages approximately 45 days. The patient's recovery is monitored for a 10-week period following discharge during which the patient and family members return to the hospital once a week for outpatient counseling sessions.

Under a CareUnit Contract the contracting hospital is responsible for providing Registrant with all hospital facilities and services (including beds, nursing staff, diagnostic facilities, offices for Registrant's staff and recreational areas for patients) necessary to assist Registrant in its treatment of patients. Registrant's responsibility under the Contract is to provide a trained team (the "CareUnit Team") consisting of a physician (who is a member of the hospital's staff and serves as the medical director for the Program), a program coordinator, a psychologist, an alcoholism therapist, a social worker and appropriate supporting counselors. The CareUnit Team receives support from Registrant in the areas of Program implementation and management, therapy team training, staff recruiting, continuing education, nurse and hospital employee training, community education, advertising, public relations and ongoing Program quality assurance. CareUnit Contracts are generally entered into for a two-year period; thereafter, either party may terminate the Contract by giving 90 days notice. A significant number of contracts are terminable on 90 days notice.

Patients are admitted to a CareUnit Program through the hospital's standard admission policies and procedures. The hospital submits to the patient or the patient's insurance company a bill which covers the services of both the hospital and Registrant. The hospital pays Registrant a fixed monthly management fee plus a fixed fee for each patient day of service provided. Fees paid to Registrant are subject to annual adjustments to reflect increases in the National Consumer Price Index. Registrant and the hospital share the risk of nonpayment by patients based on a predetermined percentage participation by Registrant in bad debts. To date, Registrant's share of such bad debts has not exceeded 6% of Registrant's Contract revenues in any one year

Psychiatric Treatment Services

Acute psychiatric treatment services are provided in a hospital operated by Registrant, a hospital managed by Registrant's partner in a joint venture and seven independent general hospitals which have entered into StressCenter contracts ("Contracts") with Registrant pursuant to a program Registrant developed and introduced in 1975. The psychiatric Program is a hospital-based, short-term program which provides patients suffering from acute emotional problems with diagnostic and therapeutic treatment services conducted by an interdisciplinary team of experienced professionals. Admission to the Program is voluntary and treatment is tailored to the needs of the patient. The treatment includes one-to-one as well as group psychotherapy; other treatment methods used include occupational and activities therapy. The length of a patient's stay in a hospital varies with the diagnosis and severity of the patient's condition but rarely exceeds 90 days.

The terms of StressCenter Contracts are similar to those of CareUnit Contracts, except that the StressCenter Team provided by Registrant is comprised of a psychiatrist (who serves as medical director), a program coordinator, a psychologist, an occupational therapist, a social worker and appropriate supporting counselors.

Other Health Care Services and Supporting Activities

Long-Term Care Facilities. Registrant owns and operates a 59-bed extended care facility and a 72-bed residential care facility, and leases and operates a 99-bed intermediate care facility. Extended care facilities provide skilled nursing, convalescent, rehabilitative and sustaining care over extended periods of time to persons who do not require the more extensive care and supervision provided in a general hospital. Intermediate care facilities provide similar care on a less extensive basis and residential care facilities primarily provide room and food service with minimal care and supervision. For the fiscal year ended May 31, 1982, the average occupancy rate for these three facilities, based on the number of available beds, was 97%. These facilities accounted for approximately 3% of Registrant's total revenues in fiscal 1982. Registrant does not intend to expand its long-term care operations and desires to convert such facilities to alcoholism or psychiatric treatment facilities or dispose of them.

Publishing Activities. Since 1976, Registrant (under the name CompCare Publications) has been engaged in the publication, distribution and sale of books, pamphlets and brochures relating to Registrant's health care activities and to other life-style management subjects such as weight and smoking control. The primary purpose of these activities is to support the Registrant's treatment, training and marketing programs. Literature distributed by Registrant is sold to patients participating in a Program both by contracting hospitals and hospitals operated by Registrant. To a limited extent, such literature is also sold to the general public and educational institutions. Registrant does not own or operate the printing facilities used in the publication of its literature. Publishing activities accounted for approximately 2% of Registrant s total revenues in fiscal 1982.

Marketing. Registrant has an active public relations program designed to increase public awareness of the treatment services offered by Registrant and of alcoholism and acute emotional problems as illnesses. During fiscal 1982, Registrant spent $6,784,000 (9.9% of revenues) for all advertising. Registrant's advertising program includes a series of television commercials advertising Registrant's treatment services.

The forms of media used are specifically geared to the geographic area in which the marketing efforts are directed Accordingly, the focal point in Registrant's public relations program is the program coordinator, whose role, in the local community, is to identify referral sources and to carry out all marketing activities, including promotional campaigns, media coverage, conferences and distribution of literature, necessary to make the local community aware of the Program. Each program coordinator is assisted on an ongoing basis by the Registrant's various support services.

Other aspects of Registrant's public awareness program include a nationwide telephone hotline which is staffed by counselors who provide advice and help on a 24-hour basis; a Crisis Intervention Program which assists relatives of alcoholics or emotionally disturbed individuals in motivating a potential patient to seek professional help through an appropriate Program; and CareInstitute conferences which are alcoholism educational programs designed for health professionals. Registrant also offers its Occupational Program Service which is designed to encourage and assist businesses in developing Employee Assistance Programs. The Employee Assistance Programs are aimed at employees who exhibit deteriorating job performance related to alcoholism, mental illness or other personal problems. The cost-effectiveness of treating such employees has caused a number of companies to develop Employee Assistance Programs during the last several years.

Registrant's marketing efforts are also directed toward increasing the number of its Contracts for Programs. Registrant has a 21-person market development staff which identifies and approaches general community hospitals which are potential participants in Registrant's Programs. To be considered for a Program, a hospital normally must serve a community with a population of at least 100,000, have at least 100 licensed beds, be able to dedicate a minimum of 15 beds for use in a Program and have a satisfactory reputation and financial condition. In Registrant's opinion, the principal advantages to hospitals include the quality and reputation of Registrant's Programs, comprehensive advertising and public relations services, a reduced start-up period due to Registrant's experience in implementing Programs and processing certificate of need applications (see "Governmental Regulation"), reduced start-up costs and risk (because Registrant bases its compensation on bed occupancy and assumes a share of bad debts) and the availability of Registrant's Program support services, including training, management, public education and quality assurance.

Competition

Registrant is the largest private provider of hospital-based alcoholism treatment services in the United States. Registrant's main competitors with respect to its Contract alcoholism and psychiatric treatment services are general hospitals which elect to offer such services directly rather than through an independent health care management company. There are many general hospitals with acute psychiatric units and a limited but growing number of general hospitals with alcoholism treatment units

The primary competitive factors in attracting referral sources, patients and physicians are reputation, success record, quality of care and location and scope of services offered by a facility. Some of the hospitals which compete with Registrant are either owned or supported by governmental agencies or are owned by nonprofit corporations supported by endowments and charitable contributions which enables some of these hospitals to provide a wider range of services regardless of cost-effectiveness

Sources of Revenues

During fiscal 1982, approximately 95% of Registrant's operating revenues were received from private sources (private health insurers or directly from patients or contracting hospitals for the CareUnit and StressCenter Programs) and the balance from Medicare and Medicaid.

Governmental Regulation

The development and operation of health care facilities is subject to compliance with various federal, state and local statutes and regulations. Hospitals and other health care facilities operated by Registrant as well as hospitals under Contract for a CareUnit or StressCenter Program must comply with the licensing requirements of the federal, state and local health agencies, and with the requirements of municipal building codes, health codes and local fire departments. State licensing of facilities is a prerequisite to participation in Medicare and Medicaid programs.

Each of Registrant's hospitals and other health care facilities is duly licensed in accordance with the requirements of state and local agencies having jurisdiction over its operations.

Pursuant to the requirements of federal law, all states have enacted Certificate of Need ("CON") legislation, the purpose of which is to curtail the proliferation of unnecessary health care services. Thus, prior to the introduction of new facilities, the expansion of old facilities or the introduction of major new services (such as the CareUnit or StressCenter Programs) in existing facilities, Registrant (in the case of its facilities), or the contracting hospital for a CareUnit or StressCenter Program, must demonstrate to either state or local authorities, or both, that it is in compliance with the plan adopted by such agencies. Registrant, because of its experience in the processing of the CON documentation required for such Programs, usually prepares such documentation on behalf of the contracting hospital, with the assistance of the hospital. The CON application process ordinarily takes from six to 18 months, and may in some instances take two years or more, depending upon the state involved and whether the application is contested by a competitor or the health agency. As of May 31, 1982, there were 37 CON applications pending for CareUnit and StressCenter Programs.

The Joint Commission on the Accreditation of Hospitals ("JCAH"), at a facility's request, will participate in the periodic surveys which are conducted by state and local health agencies to insure continuous compliance with all licensing requirements by health care facilities. JCAH accreditation satisfies the certification requirements for participation in Medicare and Medicaid programs. A facility found substantially to comply with JCAH standards receives accreditation for a two-year period. A patient's choice of a treatment facility may be affected by JCAH accreditation considerations because most major third-party payors limit coverage to services provided by an accredited facility. All of the hospitals operated by Registrant for which such JCAH accreditation has been sought and hospitals under Contract have received such accreditation.

Both Medicare and Medicaid programs contain specific physical plant, safety, patient care and other requirements which must be satisfied by health care facilities in order to qualify under said programs. Registrant believes that the facilities it owns or leases are in substantial compliance with the various Medicare and Medicaid regulatory requirements applicable to them.

In recent years numerous hospital cost containment proposals have been introduced in Congress. To date, no hospital cost containment legislation has been enacted by Congress and Registrant is unable to predict whether any such legislative proposals will be adopted or the form in which they might be adopted. If any such legislation is passed and reimbursement methods similar to those now utilized under the Medicare and Medicaid programs are enacted, Registrant's earnings may be negatively impacted.

Administration and Employees

Registrant's executive and administrative offices are located in Newport Beach, California, where management controls accounting, medical insurance claims, governmental and statistical reporting, advertising and public relations, research and treatment progress evaluation. Registrant's marketing, human resources and contract divisions are headquartered in its Bridgeton, Missouri regional office, which is also the site of Registrant's primary training center.

At May 31, 1982, Registrant employed approximately 130 persons in its corporate and administrative offices, 1,070 persons in the hospitals and long-term health care facilities operated by it, and 370 persons assigned to its CareUnit and StressCenter Teams. The physicians and psychiatrists who are the medical directors of Registrant's CareUnit and StressCenter Teams, the psychologists serving on said teams and the doctors utilizing the hospitals and long-term care facilities operated by Registrant are independent contractors.

Registrant has not encountered any work stoppages due to labor disputes with its employees and its operations have not been disrupted by the present nationwide shortage of nurses. Although Registrant has expanded rapidly in the last five years, it has not experienced any significant difficulty in attracting competent employees.

Item 2. Properties

The following table sets forth certain information regarding the properties owned or leased by Registrant at May 31, 1982:

Name and Location	No. Licensed Beds	Owned or Leased	Calendar Year of Acquisition, or Lease	Lease Expires (1)	Monthly Rental (2)
Alcoholism Treatment Facilities					
Crossroads Hospital (3) .... Van Nuys, California	33	Leased	1972	1997	$ 5,577
CareUnit Hospital (4)............. Kirkland, Washington	82	Leased	1981	2035	11,300(5)
CareUnit Hospital (6)............. Fort Worth, Texas	43	Owned	1982	—	—
CareUnit Hospital (7)............. Orange, California	94	Owned	1981	—	—
CareUnit Hospital .... Los Angeles, California	104	Owned	1978	—	—
CareUnit Facility (8) .... Jacksonville Beach, Florida	84	Owned	82	—	—
CareUnit Hospital (9)............. Cincinnati, Ohio	84	Owned	1982	—	—
Psychiatric Treatment Facilities					
Brea Neuropsychiatric Center (10) . Brea, California	142	Owned	1982	—	—
Woodview-Calabasas Hospital (11) . Calabasas, California	117	Leased	1970	1996	19,227(12)(13)
Other Health Care Facilities					
Bayview Convalescent Hospital.... Costa Mesa, California (Extended care facility)	59	Owned	1969	—	—
Tustin Manor .... Tustin, California (Intermediate care facility)	99	Leased	1970	1995	7,754(12)
Bayview Manor (14) .... Costa Mesa, California (Residential care facility)	72	Owned	1981	—	—
Administrative Facilities	**Square Feet**				
Corporate Headquarters .... Newport Beach, California	19,328	Leased	1976	1996	20,082
Regional Headquarters .... Bridgeton, Missouri	18,759	Leased	1979	1989	13,678
Publications Division................. Minneapolis, Minnesota	6,700	Leased	1981	1986	1,889

(1) Assumes all options to renew will be exercised.

(2) All leases, other than those relating to Registrant's administrative facilities, are triple net leases under which Registrant bears all costs of operations, including insurance, taxes and utilities. Registrant is responsible for specified percentages of increases in taxes, assessments and operating costs relating to its administrative facilities.

(3) Leased by a joint venture and managed by Registrant. Registrant contends that this facility is licensed for 43 beds, although regulatory authorities contend that it is licensed for only 33 beds.

(4) Managed by Registrant from 1978 to 1981.

(5) Subject to increase every three years based upon increases in the Consumer Price Index, not to exceed 10%.
(6) Leased by Registrant from 1971 to 1982. In May, 1982, Registrant obtained a license increasing the number of licensed beds from 34 to 43.
(7) Leased by Registrant from 1976 to 1981.
(8) Owned by a joint venture and managed by Registrant.
(9) Acquired by Registrant July 2, 1981, but leased back to seller pending completion of a replacement construction project. Owned by a joint venture and managed by Registrant June 1, 1982.
(10) Leased by Registrant from 1969 to 1982.
(11) Leased by Registrant and managed by the Registrant's partner in a joint venture.
(12) Subject to increase every five years based upon the Consumer Price Index.
(13) Subject of a legal action commenced in December 1979 by the lessor who contends that a 1971 amendment to the lease, which reduces the amount of basic rent subject to five-year increases based upon the Consumer Price Index from $177,600 to $47,600, is void for lack of consideration. The amount of rent in dispute was approximately $4,000 per month from January 1980 to June 1981 and increased to approximately $13,000 per month in June 1981.
(14) Leased by Registrant from 1971 to 1981.

Item 3. Legal Proceedings.

Registrant is subject to claims and suits in the ordinary course of its business, including those arising from patient treatment, injuries or death which are ordinarily covered by insurance.

Registrant was not engaged in any material legal proceedings as of May 31, 1982.

Item 4. Security Ownership of Certain Beneficial Owners and Management.

There is hereby incorporated by reference the information which will appear under the captions "General Information" and "Election of Directors" in a Proxy Statement to be filed with the Securities and Exchange Commission relating to Registrant's Annual Meeting of Stockholders to be held on September 30, 1982.

Part II

Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters.

(a) Registrant's Common Stock is traded in the over-the-counter market and is quoted on NASDAQ under the symbol CMPH. The following table sets forth the range of high and low bid prices for the Common Stock for the fiscal quarters indicated. All quotations have been adjusted to give effect to a two-for-one stock split paid on July 21, 1981, and have been rounded to the nearest one-eighth. Such prices represent interdealer quotations without adjustment for retail markup, markdown or commission and do not necessarily represent actual transactions.

Fiscal Year		Bid Price High	Bid Price Low
1981:	First Quarter	10⅜	8
	Second Quarter	12⅝	9¾
	Third Quarter	13⅜	10⅜
	Fourth Quarter	20⅜	12¾
1982:	First Quarter	19¾	14⅜
	Second Quarter	19⅞	12⅝
	Third Quarter	19⅜	15⅞
	Fourth Quarter	17⅜	10⅜

(b) The approximate number of holders of Common Stock of Registrant as of June 30, 1982 was 3,320.

(c) Registrant paid $.025 and $.04 per share cash dividends on a quarterly basis during the fiscal years ended May 31, 1981 and May 31, 1982, respectively, or an aggregate of $.10 and $.16 per share for those years. Registrant intends to continue to pay regular cash dividends in the future, although the payment of such dividends will be dependent upon the earnings, financial position and cash requirements of Registrant and other relevant factors existing at the time. On June 25, 1982, Registrant's Board of Directors declared a quarterly dividend of $.06 per share payable August 19, 1982, to shareholders of record July 30, 1982.

Item 6. Selected Financial Data.

	Year Ended May 31, 1978	1979	1980(1)	1981(1)	1982
	(Dollars in thousands, except per share data)				
Income Statement Data:					
Revenues					
Operating	$18,417	$28,726	$38,979	$51,351	$68,709
Interest	3	37	67	1,232	4,610
Other	140	118	127	173	166
	18,560	28,881	39,173	52,756	73,485
Costs and expenses					
Operating	11,203	17,005	23,625	29,546	39,349
General, administrative and marketing	4,490	6,849	9,251	12,227	16,930
Depreciation and amortization	580	741	863	977	1,448
Interest	523	547	613	617	603
	16,796	25,142	34,352	43,367	58,330
Earnings before taxes on income and extraordinary item	1,764	3,739	4,821	9,389	15,155
Net earnings (2)	903	1,871	2,418	4,627	7,586
Earnings per common share (2)					
Primary	.15	.29	.37	.65	.81
Fully diluted	.15	.29	.35	.60	.80
Cash dividends per share	.025	.035	.08	.10	.16

	At May 31, 1978	1979	1980(1)	1981(1)	1982
	(Dollars in thousands)				
Balance Sheet Data:					
Working capital	$ 1,688	$ 3,321	$ 4,076	$16,828	$30,934
Total assets	12,454	17,419	20,281	41,116	69,073
Long-term debt	5,759	7,052	6,700	7,686	5,085
Stockholders' equity	3,396	5,809	7,709	23,188	53,561

(1) Restated to reflect accounting for compensated absences in accordance with FASB Statement No. 43. A cumulative charge of $207,000 ($.03 per share, fully diluted) was made to earnings of fiscal 1980. The charge to net earnings of fiscal 1981 was $85,000 ($.02 per share, fully diluted). See Note 1 to consolidated financial statements.

(2) Excludes extraordinary gain of $231,000 ($.02 per share) recorded in fiscal 1982.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following table sets forth for the periods indicated (i) percentages which certain items reflected in the financial data bear to total revenues and (ii) the percentage increase of such items as compared to the indicated prior period:

	Relationship to Total Revenues			Period-to-Period Increase	
	Year Ended May 31,			Years Ended	
	1980*	1981*	1982	1980-81*	1981-82
Operating revenue	99.5%	97.3%	93.5%	31.7%	33.8%
Interest income	.2	2.3	6.3	1738.8	274.2
Other revenue	.3	.4	.2	36.2	(4.0)
	100.0	100.0	100.0	34.7	39.3
Operating expense	60.3	55.9	53.6	25.1	33.2
General, administrative and marketing	23.6	23.2	23.0	32.2	38.5
Depreciation and amortization	2.2	1.9	2.0	13.2	48.2
Interest	1.6	1.2	.8	.7	(2.3)
Earnings before taxes on income	12.3	17.8	20.6	94.8	61.4
Taxes on income	6.1	9.0	10.3	98.2	58.9
Earnings before extraordinary item	6.2	8.8	10.3	91.4	64.0

*Restated to reflect accounting for compensated absences in accordance with FASB Statement No. 43. See Note 1 to consolidated financial statements.

Results of Operations

During the past three years, Registrant's revenues have increased at a slightly higher rate than its expenses, resulting in a gradually improving pre-tax margin. Revenue increases have been generated by increases in the utilization of Registrant's existing facilities, the addition of new facilities and by price increases. Rising interest income, attributable to the substantial cash balances resulting from Registrant's two recent public offerings, has been a significant factor in revenue growth. Registrant does not foresee a substantial decrease in these cash balances during fiscal 1983. Facility utilization varies as to its impact on revenues depending on the type of services provided and the method of delivery employed. Increased utilization of Registrant's freestanding alcoholism and psychiatric facilities has a greater effect on revenues than does increased utilization of CareUnit or StressCenter Contract operations. This difference is primarily attributable to higher prices charged for each day of service rendered in hospital operations where a broader range of patient care services is provided. Reflecting this fact, the contribution to operating revenues of Registrant's freestanding hospitals in fiscal 1982 was approximately 54% while that of its Contract operations was 41%. Registrant's 142-bed psychiatric hospital in Brea, California, is a significant contributor to total revenues and net income.

Operating revenues for fiscal 1981 and 1982 increased 31.7% and 33.8%, respectively. Approximately 25% of the increase for fiscal 1982 resulted from higher occupancy rates; approximately 25% from CareUnit Hospital of Kirkland, which was purchased in April 1981, being included for a full year; approximately 20% from the addition of new contract facilities and the balance from price increases. Of the increase for fiscal 1981, approximately 50% resulted from higher occupancy rates, approximately 25% from the addition of new facilities and the balance from price increases.

Fiscal 1981 was the first year in which interest income was significant. The increase in interest income of $1,165,000 in fiscal 1981 was due to the investment in interest bearing securities of a substantial portion of the proceeds from Registrant's sale of 1,200,000 shares of common stock in November 1980. The increase in 1982 of $3,378,000 was principally a result of investing a portion of not only the aforementioned proceeds, but also a substantial portion of the proceeds from Registrant's sale of 1,500,000 shares of common stock in August 1981. Included in interest income is approximately $750,000 the Company received as rent for the property purchased in Cincinnati, Ohio (see Notes 2 and 9 to consolidated financial statements).

Registrant's pre-tax margin rose from 12.3% in fiscal 1980 to 17.8% in fiscal 1981 and to 20.6% in fiscal 1982. A significant factor in these increases was the interest income resulting from investment of the proceeds of Registrant's 1980 and 1981 public offerings. Without such income, the pre-tax margin would have been 16.2% for fiscal 1981 and 15.3% for fiscal 1982. The pre-tax margin increase for fiscal 1981 not attributable to interest income was due primarily to higher occupancy rates for Registrant's existing facilities and also to price increases. Although many factors contributed to the decline in fiscal 1982, including the general economy of the country, primary factors include the substantially greater number of contract units opened during fiscal 1982 (39 vs. 15 in fiscal 1981) and an increased level of media advertising expenditures in fiscal 1982 which did not result in a like increase in revenues. Such advertising expenditures rose to 8.8% of revenue in fiscal 1982 versus 5.9% in fiscal 1981. The Company intends to reduce its advertising expenditures in fiscal 1983 to levels consistent with prior years.

Liquidity and Capital Commitments

As a result of continued increases in cash flow from operations and the proceeds of the public offering received in August 1981, the Registrant's current ratio increased from 2.6:1 at May 31, 1981, to 4.0:1 at May 31, 1982. Accounts receivable turnover increased from 62 days at May 31, 1981 to 70 days at May 31, 1982. Management believes this reflects the high level of interest rates and tightening of the economy that continued throughout fiscal 1982.

Registrant has committed approximately $9,500,000 for investment in new operations and refurbishment of existing facilities. Of this commitment, approximately $5,000,000 will be expended during fiscal 1983 and the remainder in fiscal 1984. Registrant intends to obtain secured financing for a portion of its other major acquisition and refurbishment expenditures when and as funds become available at more favorable interest rates.

Registrant has a $3 000,000 bank line of credit which was unused at May 31, 1982. Because of its expected cash flow from earnings, bank line of credit, present cash on hand and the possibility of obtaining secured financing for a portion of its major planned expenditures, Registrant believes it will have no difficulty in meeting its obligations during the coming fiscal year.

Impact of Inflation

Inflation has become a significant factor in the nation's economy. To cope with its effect on increasing expenses, Registrant regularly raises prices charged at its leased and owned facilities. Registrant's CareUnit and StressCenter Contracts provide for annual price increases to reflect increases in the National Consumer Price Index. To date, these price increases have been adequate to offset the Registrant's increase in costs.

Item 8. Financial Statements and Supplementary Data.

Comprehensive Care Corporation
Index to Consolidated Financial Statements
Years Ended May 31, 1982, 1981 and 1980

(a) Including selected quarterly financial data.

Report of Independent Certified Public Accountants

To the Stockholders and Board of Directors
Comprehensive Care Corporation

We have examined the consolidated balance sheet of Comprehensive Care Corporation and its subsidiaries as of May 31, 1982 and 1981, and the related consolidated statements of earnings, stockholders' equity and changes in financial position for each of the three years in the period ended May 31, 1982. 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 consolidated financial statements present fairly the financial position of Comprehensive Care Corporation and its subsidiaries at May 31, 1982 and 1981, and the results of their operations and changes in their financial position for each of the three years in the period ended May 31, 1982, 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 compensated absences as required by Financial Accounting Standards Board Statement No. 43 and as explained in the accompanying Notes to Consolidated Financial Statements.

Lesley, Thomas, Schwarz & Postma

Newport Beach, California
July 16, 1982

Lesley, Thomas, Schwarz & Postma

Comprehensive Care Corporation and Subsidiaries
Consolidated Balance Sheet

Assets

	May 31, 1982	May 31, 1981*
Current assets:		
Cash, including time deposits of $20,773,000 and $12,000,000	$24,243,000	$14,599,000
Accounts receivable, less allowance for doubtful accounts of $2,143,000 and $1,480,000 (Note 13)	14,896,000	10,720,000
Inventories (Note 1)	521,000	555,000
Prepaid insurance	587,000	586,000
Deferred income taxes (Note 7)	285,000	314,000
Prepaid—other	596,000	296,000
Total current assets	41,128,000	27,070,000
Property and equipment, at cost (Notes 3, 5 and 8)		
Land and improvements	4,000,000	1,319,000
Buildings and improvements	16,464,000	5,803,000
Furniture and equipment	4,643,000	3,725,000
Leasehold improvements	886,000	763,000
Capital leases	2,704,000	4,695,000
	28,697,000	16,305,000
Less accumulated depreciation and amortization	4,472,000	4,583,000
Total property and equipment	24,225,000	11,722,000
Other assets:		
Cost in excess of net assets of businesses purchased (Note 1)	871,000	1,066,000
Notes receivable (Note 2)	1,919,000	393,000
Other (Note 7)	930,000	865,000
Total other assets	3,720,000	2,324,000
	$69,073,000	$41,116,000

*Restated—See Note 1.

See notes to consolidated financial statements.

Liabilities and Stockholders' Equity

	May 31, 1982	May 31, 1981*
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,505,000	$ 2,393,000
Accrued salaries and wages	2,309,000	2,272,000
Accrued advertising	1,205,000	1,439,000
Payable to third-party intermediaries	433,000	713,000
Long-term debt payable within one year (Note 3)	403,000	857,000
Income taxes payable	2,339,000	2,568,000
Total current liabilities	10,194,000	10,242,000
Long-term debt due after one year (Note 3)	5,085,000	7,606,000
Deferred income taxes (Note 7)	233,000	
Lease commitments (Note 5)		
Stockholders' equity (Note 4):		
Common stock, $.10 par value; authorized 20,000,000 shares; issued and outstanding, 9,906,312 shares and 7,685,972 shares	991,000	769,000
Additional paid-in capital	37,379,000	13,544,000
Retained earnings	15,191,000	8,875,000
Total stockholders' equity	53,561,000	23,188,000
	$69,073,000	$41,116,000

Comprehensive Care Corporation and Subsidiaries
Consolidated Statement of Earnings

	Year Ended May 31, 1982	1981*	1980*
Revenues (Note 1)			
Operating	$68,709,000	$51,351,000	$38,979,000
Interest	4,610,000	1,232,000	67,000
Other	166,000	173,000	127,000
	73,485,000	52,756,000	39,173,000
Costs and expenses:			
Operating	39,349,000	29,546,000	23,625,000
General, administrative and marketing	16,930,000	12,227,000	9,251,000
Depreciation and amortization (Note 8)	1,448,000	977,000	863,000
Interest	603,000	617,000	613,000
	58,330,000	43,367,000	34,352,000
Earnings before income taxes and extraordinary item	15,155,000	9,389,000	4,821,000
Taxes on income (Note 7)	7,569,000	4,762,000	2,403,000
Earnings before extraordinary item	7,586,000	4,627,000	2,418,000
Extraordinary item (Note 10)	231,000		
Net earnings	$ 7,817,000	$ 4,627,000	$ 2,418,000
Earnings per common share (Note 1)			
Primary:			
Earnings before extraordinary item	$ .81	$ .65	$ .37
Extraordinary item	.03		
Net earnings	$ .84	$ .65	$ .37
Fully diluted:			
Earnings before extraordinary item	$ .80	$ .60	$ .35
Extraordinary item	.02		
Net earnings	$ .82	$ .60	$ .35

*Restated—See Note 1.

See notes to consolidated financial statements.

Comprehensive Care Corporation and Subsidiaries

Consolidated Statement of Stockholders' Equity

	Common Stock		Additional Paid-In	Retained
	Shares	Amount	Capital	Earnings*
Balances, May 31, 1979 (Note 1)	6,467,368	$ 162,000	$ 2,592,000	$ 3,055,000
Net earnings				2,418,000
Two-for-one stock split		161,000	(161,000)	
Dividends				(518,000)
Balances, May 31, 1980	6,467,368	323,000	2,431,000	4,955,000
Net earnings				4,627,000
Additional shares issued in public offering concluded November 7, 1980	1,200,000	60,000	11,449,000	
Conversion of 9% convertible note (Note 3)	18,604	1,000	49,000	
Dividends				(707,000)
Two-for-one stock split		385,000	(385,000)	
Balances, May 31, 1981	7,685,972	769,000	13,544,000	8,875,000
Net earnings				7,817,000
Additional shares issued in public offering concluded August 19, 1981	1,500,000	150,000	21,553,000	
Conversion of 9% convertible notes (Note 3)	613,944	61,000	1,589,000	
Dividends				(1,501,000)
Exercise of stock options	106,396	11,000	693,000	
Balances, May 31, 1982	9,906,312	$ 991,000	$37,379,000	$15,191,000

*Restated—See Note 1.

See notes to consolidated financial statements.

Comprehensive Care Corporation and Subsidiaries

Consolidated Statement of Changes in Financial Position

	Year Ended May 31,		
	1982	1981*	1980*
Financial resources provided by:			
Operations:			
Earnings before extraordinary item	$ 7,586,000	$ 4,627,000	$ 2,418,000
Items not requiring outlay of working capital:			
Depreciation and amortization of property and equipment	1,421,000	972,000	863,000
Deferred income taxes	186,000	80,000	(120,000)
Amortization of goodwill	27,000	5,000	
Working capital provided by operations	9,220,000	5,684,000	3,161,000
Extraordinary item	231,000		
Disposal of property and equipment	126,000	60,000	17,000
Additional long-term debt	243,000	3,273,000	6,000
Decrease in notes receivable	106,000		
Issuance of common stock	24,057,000	11,559,000	
	33,983,000	20,576,000	3,184,000
Financial resources used for:			
Acquisition of property and equipment	14,645,000	4,812,000	1,615,000
Elimination of capital lease costs net of capital lease obligations of purchased facilities	67,000	254,000	
Reduction of long-term debt	2,013,000	908,000	368,000
Increase in notes receivable	1,632,000	116,000	5,000
Dividends	1,501,000	707,000	518,000
Increase in costs in excess of net assets of businesses purchased		691,000	
Other applications	19,000	336,000	(67,000)
	19,877,000	7,824,000	2,439,000
Increase in working capital	$14,106,000	$12,752,000	$ 745,000
Summary of changes in components of working capital:			
Increase (decrease) in current assets:			
Cash	$ 9,644,000	$13,576,000	$ (544,000)
Accounts receivable	4,176,000	3,363,000	2,183,000
Prepaid expenses and inventories	267,000	76,000	223,000
Deferred taxes	(29,000)	314,000	
	14,058,000	17,329,000	1,862,000
Increase (decrease) in current liabilities:			
Accounts payable and accrued liabilities	915,000	1,977,000	1,383,000
Payable to third-party intermediaries	(280,000)	243,000	19,000
Long-term debt payable within one year	(454,000)	488,000	27,000
Income taxes payable	(229,000)	1,869,000	(312,000)
	(48,000)	4,577,000	1,117,000
Increase in working capital	$14,106,000	$12,752,000	$ 745,000

*Restated—See Note 1.
See notes to consolidated financial statements.

Comprehensive Care Corporation and Subsidiaries

Notes to Consolidated Financial Statements

May 31, 1982, 1981 and 1980

Note 1 — Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and the Company's 50% interest in the accounts of joint venture partnerships (see Note 2). All significant intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition

Approximately 95% of the Company's operating revenues are received from private sources; the remainder from Medicare and Medicaid. The latter are governmental programs which provide for payments based upon rates set or approved by a governmental agency. These revenues are subject to audit by intermediaries administering these programs. Revenues from these governmental programs are recorded under cost reimbursement principles. Although management believes estimated provisions currently recorded properly reflect these revenues, any differences between final settlement with the intermediary and these estimated provisions are reflected in operating revenues in the year finalized.

Intangible Assets

Costs in excess of net assets of businesses purchased (goodwill) are being accounted for in accordance with APB Opinion No. 17 and are being amortized over 25 years.

Investment Tax Credits

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

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market.

Earnings Per Share

Primary earnings per common and common equivalent share have been computed by dividing earnings by the weighted average number of shares of common stock outstanding during the periods.

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 and shares of common stock issuable on conversion of outstanding convertible notes.

The weighted average number of shares outstanding used to compute primary and fully diluted earnings per share have been adjusted to reflect two-for-one stock splits effected July 13, 1981, and June 30, 1979. Fully diluted earnings per share for the years ended May 31, 1981 and 1980, were calculated after giving effect to the elimination of interest expense, less income tax effect, applicable to the convertible notes. During the year ended May 31, 1982, the notes were converted into common stock.

Stock options granted are common stock equivalents but do not have a significant dilutive effect and have not been included in the computation of earnings per share for the periods presented.

The weighted average number of shares were as follows:

	Year Ended May 31,		
	1982	1981	1980
Primary	9,344,842	7,150,744	6,467,368
Fully diluted	[illegible],510,122	7,777,186	7,099,926

Accounting Change for Compensated Absences

Prior to fiscal year 1982, the Company followed the common practice of accounting for the costs of employees' vacation pay benefits in the year they were paid. Effective June 1, 1981, as a result of Financial Accounting Standards Board Statement No 43, the Company began accruing such benefits as they were earned. Financial statements for prior periods have been restated as required by Statement No. 43. The cumulative effect of this adjustment resulted in a charge to net earnings in fiscal 1980 of $207,000 ($.03 per share, fully diluted). During fiscal 1981 the effect was a charge to net earnings of $85,000 ($.02 per share, fully diluted) and an increase in current assets and current liabilities of $292,000 and $584,000, respectively

Reclassifications

Certain 1980 and 1981 amounts have been reclassified to conform to the 1982 presentation.

Note 2 — Accounting for Interests in Joint Venture Partnerships

In 1972, the Company entered into a joint venture partnership, named Neuro Affiliates Company, with another corporation for the purpose of operating two hospitals. Under the terms of the joint venture agreement, the Company manages one of the hospitals and its partner manages the other. Each of the partners in the joint venture receives a management fee for the hospital it manages, and they share equally in the profits or losses.

In May 1981, the Company entered into two joint venture partnerships in Florida organized for the purpose of owning and operating 84-bed and 120-bed alcoholism treatment facilities in Jacksonville Beach and Tampa on properties owned by the joint venturers. The Company has a 50% interest in each joint venture and will manage each facility for a management fee of 6% of the facilities' gross revenues. The Company and its partners will share the joint ventures' profits and losses in proportion to their respective joint venture interests. Construction of the Jacksonville Beach facility was completed in May 1982 and operations commenced. At May 31, 1982, the Company had loaned the joint venture $1,880,000 for the purpose of constructing and furnishing the facility. In June 1982, long-term third-party financing was obtained by the joint venture and a substantial portion of the Company's loan was repaid. The Company agreed to loan the Tampa joint venture $4,000,000 for the purpose of constructing and furnishing this facility. The loan will bear interest at the prime rate plus 2%, will be repayable three years from the date of the loan and will be secured by a first mortgage against the facility. Construction of the Tampa facility is scheduled to commence in fiscal 1983.

During fiscal 1982, the Company entered into a joint venture agreement with members of an insurance group to own and operate an 84-bed alcoholism treatment facility in Cincinnati, Ohio (see Note 9).

The Company consolidates its interest in the assets, liabilities, income and expenses of the joint ventures due to their significance to the Company's total operations. The assets and liabilities of the joint ventures included in the consolidated balance sheet are as follows:

	May 31, 1982	May 31, 1981
Assets		
Current assets	$1,807,000	$1,219,000
Property and equipment (net)	2,179,000	824,000
Other assets	38,000	9,000
	$4,024,000	$2,052,000
Liabilities and partner's equity		
Current liabilities	$ 759,000	$ 564,000
Note payable (1)	940,000	
Long-term liabilities	798,000	846,000
Partner's equity	1,527,000	642,000
	$4,024,000	$2,052,000

(1) This amount was offset against the Company's note receivable of $1,880,000 in the consolidated financial statements.

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

	Year Ended May 31,		
	1982	1981	1980
Revenues	$5,344,000	$4,731,000	$3,863,000
Costs and expenses			
Operating, general, administrative and marketing	3,772,000	3,258,000	2,627,000
Depreciation and amortization	90,000	80,000	87,000
Interest	79,000	83,000	86,000
	3,941,000	3,421,000	2,800,000
Earnings before taxes on income	$1,403,000	$1,310,000	$1,063,000

Note 3 — Long-Term Debt

Long-term debt consists of the following:

	May 31,	
	1982	1981
7% to 10% notes, payable in monthly installments with maturity dates from 1982 through 1996, collateralized by real and personal property having a net book value of $4,211,000, and $4,974,000 as of May 31, 1982 and 1981, respectively	$2,605,000	$2,589,000
3% uncollateralized note (Note 10)		347,000
8½% unsecured notes, payable in quarterly installments maturing in 1983	18,000	32,000
8% unsecured notes, payable monthly with maturity dates through 1993	548,000	597,000
9% convertible subordinated notes with interest payable semiannually		1,650,000
12% notes, payable in quarterly installments maturing in 1984, collateralized by real property having a net book value of $862,000 and $817,000 at May 31, 1982 and 1981, respectively	50,000	75,000
Capital lease obligations (Note 5)	2,227,000	3,173,000
Equipment contracts	19,000	57,000
Other	21,000	23,000
	5,488,000	8,543,000
Less amounts due within one year	403,000	857,000
	$5,085,000	$7,686,000

As of May 31, 1982, the annual maturities of long-term debt for the next five years amounted to $403,000 in 1983, $390,000 in 1984, $353,000 in 1985, $366,000 in 1986, and $396,000 in 1987.

At May 31, 1982, the Company had a $3,000,000 revolving line of credit with a bank. This line of credit will mature on November 30, 1983, and the balance outstanding as of that date may be converted to a term loan to be amortized over a period of four years. The interest rates during the line and term periods are prime and prime plus ¼%, respectively. During the line period, the Company must maintain compensating balances equal to 5% of the commitment plus 10% of the average outstanding balance. During the term period, a 15% compensating balance must be maintained. The loan agreement also requires the Company to maintain net working capital of $2,500,000 and a tangible net worth of $35,000,000. No amounts were outstanding under this line of credit at May 31. 1982.

On January 18, 1979, the Company issued $1,700,000 of 9% convertible notes due 1988 which were subordinate to all bank indebtedness. During fiscal 1981 a note amounting to $50,000 was converted into common stock. The balance of the notes was converted to common stock during fiscal 1982.

Note 4 - Stockholders' Equity

The Company effected two-for-one stock splits on June 30, 1979, and July 10, 1981 The following stock option data reflects these stock splits.

In November 1973, the Company adopted a non-qualified stock option plan for employees of the Company and members of medical staffs of facilities operated by the Company. The total number of shares of common stock which may be granted under this plan cannot exceed 360,000 shares. The option price per share for options granted must be at least 85% of the fair market value at the date of grant. The plan provides that options must be exercised not later than five years from the date of grant. On October 1, 1981, the Board of Directors authorized an amendment to this plan which converted it to a stock option plan with respect to which stock options granted thereunder will be incentive stock options within the meaning of the Economic Recovery Tax Act of 1981. A registration statement on Form S-8 was filed with the Securities and Exchange Commission on December 2, 1981 with respect to the amended plan.

	Number of Shares	Option Price		Market Price When Granted	
		Per Share	Aggregate	Per Share	Aggregate
Options granted in March 1980	140,000	$5.00-$5.875	$700,000	$5.875	$823,000
Options granted on October 1, 1981	20,700	14.50	300,000	14.50	300,000
Options exercised in fiscal 1982	(113,000)	5.00	(565,000)	5.875	(664,000)
Options outstanding at May 31, 1982	47,700	$5.00-$14.50	$435,000	$5.875-$14.50	$459,000

At May 31, 1982, there were 199,300 shares available for grant.

During fiscal 1982 employee stock options were exercised for 113,000 shares of common stock. For 23,000 shares of those exercised, 6,604 shares were traded in on a stock-for-stock exchange.

On August 19, 1981, the Company issued 1,500,000 shares of common stock in a public offering. The price to the public was $15.50 per share, underwriting discounts and commissions were $.90 per share, other related expenses $.13 per share. The net proceeds to the Company were approximately $14.47 per share or $21,703,000.

On November 7, 1980, the Company issued 1,200,000 shares of common stock in a public offering. The price to the public was $10.44 per share, underwriting discounts and commissions were $.65 per share, other related expenses $.20 per share. The net proceeds to the Company were approximately $9.59 per share or $11,509,000.

Note 5 - Lease Commitments

The Company and the Neuro Affiliates joint venture partnership lease facilities, furniture and equipment. The facility leases contain clauses for escalations based on the Consumer Price Index and provisions for payment of real estate taxes, insurance, maintenance and repair expenses.

Total rental expenses for all operating leases were as follows:

	Year Ended May 31,		
	1982	1981	1980
Minimum rentals	$479,000	$417,000	$234,000
Contingent rentals	34,000	16,000	33,000
Total rentals	$513,000	$433,000	$267,000

Assets under capital leases are capitalized using interest rates appropriate at the inception of each lease; contingent rents associated with capital leases in fiscal 1982, 1981 and 1980 were $165,000, $189,000 and $151,000, respectively. The net book value of capital leases at May 31, 1982 and 1981, was $1,763,000 and $2,531,000, 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, 1982:

	Capital Leases			
	Company	Joint Venture	Total	Operating Leases
1983	$ 204,000	$ 122,000	$ 326,000	$ 423,000
1984	204,000	122,000	326,000	409,000
1985	204,000	122,000	326,000	332,000
1986	204,000	122,000	326,000	210,000
1987	204,000	122,000	326,000	196,000
Later years	3,092,000	811,000	3,903,000	40,000
Total minimum lease payments	$4,112,000	$1,421,000	5,533,000	$1,610,000
Less amounts representing interest			3,306,000	
Present value of net minimum lease payments			$2,227,000	

Note 6 - Deferred Compensation Plan

In April 1982, the Company replaced the existing deferred compensation plan for its President with a new plan which provides reduced benefits. The two most significant changes from the old plan were to extend the date of retirement used in calculating the maximum allowable benefit from 1985 to 1988 and to put a ceiling on the aggregate amount of salary and bonus compensation used in computing the retirement benefit. The vested unfunded benefits at May 31, 1982 ($477,000), have been accrued by the Company. The Company utilized an 8% discount rate in determining the present value of vested unfunded past service cost. The total charges to earnings for fiscal years 1982, 1981 and 1980 (which the Company began accruing in February 1980) amounted to $149,000, $290,000 and $38,000, respectively.

Note 7 - Taxes on Income

Included in other assets in 1981 are deferred tax charges amounting to $273,000.

Federal and state taxes on income consist of the following:

	Year Ended May 31,		
	1982	1981	1980
Currently payable:			
Federal income taxes	$6,197,000	$4,186,000	$2,212,000
State income taxes	1,260,000	850,000	414,000
	7,457,000	5,036,000	2,626,000
Tax benefit from exercise of stock options	209,000		
Deferred federal income taxes	(98,000)	(253,000)	(214,000)
Deferred state income taxes	1,000	(21,000)	(9,000)
	112,000	(274,000)	(223,000)
	$7,569,000	$4,762,000	$2,403,000

A reconciliation between total income taxes and the amount computed by applying the statutory federal income tax rate (46%) to earnings before taxes on income is as follows:

	Year Ended May 31,		
	1982	1981	1980
Statutory tax rate applied to pre-tax earnings	$6,971,000	$4,319,000	$2,222,000
Add state income taxes net of federal tax benefit	703,000	476,000	193,000
Deduct investment tax credit	(112,000)	(56,000)	(74,000)
Other	7,000	23,000	62,000
	$7,569,000	$4,762,000	$2,403,000

Tax expense differs from taxes currently payable as a result of 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:

	Year Ended May 31,		
	1982	1981	1980
Capitalized lease costs not deductible for tax purposes	$ (19,000)	$ (14,000)	$ (21,000)
Excess tax over book depreciation	152,000	70,000	51,000
Cash basis accounting and different reporting period for tax purposes by joint venture	35,000	101,000	5,000
State income taxes not currently deductible	(188,000)	(190,000)	(55,000)
Deferred compensation expense not currently deductible	(74,000)	(159,000)	(20,000)
Cash basis accounting by subsidiary	86,000		
Compensated absence expense not deducted for tax purposes	(89,000)	(85,000)	(207,000)
Tax benefit from exercise of stock options	209,000		
Other		3,000	24,000
	$112,000	$(274,000)	$(223,000)

Note 8 - Property, Plant and Equipment

Depreciation and amortization of property and equipment are 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. 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 and amortization are removed from the accounts and gains or losses are reflected in earnings (see Note 9).

Cost	Balance Beginning of Period	Additions At Cost	Retirements	Other Changes(a)	Balance End of Period
Year ended May 31, 1982					
Land and improvements	$ 1,319,000	$ 2,658,000		$ 23,000	$ 4,000,000
Buildings and improvements	5,803,000	10,649,000	$ 3,000	15,000	16,464,000
Furniture and equipment	3,725,000	1,195,000	259,000	(18,000)	4,643,000
Leasehold improvements	763,000	143,000		(20,000)	886,000
Capitalized building leases	4,695,000		1,991,000		2,704,000
	$16,305,000	$14,645,000	$ 2,253,000	$ —	$28,697,000
Year ended May 31, 1981					
Land and improvements	$ 892,000	$ 427,000			$ 1,319,000
Buildings and improvements	3,366,000	2,437,000			5,803,000
Furniture and equipment	2,893,000	928,000	$ 96,000		3,725,000
Leasehold improvements	558,000	211,000	6,000		763,000
Capitalized building leases	5,477,000	809,000	1,591,000		4,695,000
	$13,186,000	$ 4,812,000	$ 1,693,000		$16,305,000
Year ended May 31, 1980					
Land and improvements	$ 892,000				$ 892,000
Buildings and improvements	3,016,000	$ 374,000	$ 19,000	$ (5,000)	3,366,000
Furniture and equipment	2,164,000	882,000	161,000	8,000	2,893,000
Leasehold improvements	202,000	359,000		(3,000)	558,000
Capitalized building leases	5,477,000				5,477,000
	$11,751,000	$ 1,615,000	$ 180,000	$ —	$13,186,000

Accumulated Depreciation and Amortization	Balance Beginning of Period	Additions Charged To Expense	Retirements	Other Changes (a)	Balance End of Period
Year ended May 31, 1982					
Buildings and improvements	$ 794,000	$ 590,000		$ (2,000)	$ 1,382,000
Furniture and equipment	1,427,000	557,000	$ 136,000	14,000	1,862,000
Leasehold improvements	198,000	101,000		(12,000)	287,000
Capitalized building leases	2,164,000	173,000	1,396,000		941,000
	$ 4,583,000	$ 1,421,000	$ 1,532,000	$ —	$ 4,472,000
Year ended May 31, 1981					
Buildings and improvements	$ 547,000	$ 247,000			$ 794,000
Furniture and equipment	1,081,000	388,000	$ 42,000		1,427,000
Leasehold improvements	116,000	85,000	3,000		198,000
Capitalized building leases	2,377,000	252,000	465,000		2,164,000
	$ 4,121,000	$ 972,000	$ 510,000		$ 4,583,000
Year ended May 31, 1980					
Buildings and improvements	$ 347,000	$ 217,000	$ 17,000		$ 547,000
Furniture and equipment	879,000	347,000	145,000		1,081,000
Leasehold improvements	86,000	30,000			116,000
Capitalized building leases	2,108,000	269,000			2,377,000
	$ 3,420,000	$ 863,000	$ 162,000		$ 4,121,000

(a) Reclassifications

Note 9 - Acquisition and Disposition of Hospital Facilities

In July 1981, the Company purchased an acute-care hospital in Cincinnati, Ohio, for $4,000,000 cash. The Company had previously received the necessary government approvals to convert the hospital to an alcoholism treatment facility. The Company leased the hospital back to the seller at a monthly rental of approximately $73,000 pending construction and occupancy of a new hospital by the seller. The Company has organized a joint venture with members of an insurance group which has committed to loan the joint venture $4,000,000 to purchase the facility from the Company. The seller vacated the property in May 1982, at which time the joint venture began leasing the facility from the Company until the previously mentioned financing can be completed. The joint venture began operating the hospital as an alcoholism treatment facility June 1, 1982. The Company will receive a management fee of 7% of the facility's gross revenues and will share equally in the joint venture's profits and losses.

In July 1981, the Company concluded an agreement to purchase the land and buildings housing its alcoholism treatment facility in Fort Worth, Texas, for $1,350,000, consisting of approximately $1,107,000 cash and the assumption of an existing mortgage of approximately $243,000. In January 1982, the Company acquired the land and buildings housing its psychiatric hospital in Brea, California, for $5,000,000 in cash. Both properties had been accounted for as capital leases.

In February 1982, the Company closed its 24-bed alcoholism treatment facility in Harrisonburg, Virginia, and subsequently sold the assets of this facility. The impact of this sale and the closing of the facility on revenues and earnings is immaterial.

Note 10 - Extraordinary Item

In June 1981, the Company recorded pre-tax income of approximately $461,000 ($231,000 net of applicable income taxes) by eliminating a note payable and related accrued interest due to the Small Business Administration. This loan was made during 1971 to rehabilitate a facility damaged by an earthquake. The Company elected to take this action in reliance upon the opinion of its legal counsel that the statute of limitations expired in June 1981, and that collection of the loan was no longer enforceable.

Note 11 - Quarterly Results (unaudited): Year Ended May 31, 1982 and 1981

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1982*				
Revenues	$16,927,000	$18,340,000	$17,696,000	$20,522,000
Earnings before income taxes and extraordinary item	$ 3,507,000	$ 3,860,000	$ 2,892,000	$ 4,896,000
Federal and state income taxes	1,771,000	1,949,000	1,379,000	2,470,000
Earnings before extraordinary item	$ 1,736,000	$ 1,911,000	$ 1,513,000	$ 2,426,000
Per share—fully diluted	$.23	$.20	$.15	$.25
1981*				
Revenues	$11,837,000	$12,667,000	$12,988,000	$15,264,000
Earnings before income taxes	$ 1,945,000	$ 2,004,000	$ 2,130,000	$ 3,310,000
Federal and state income taxes	973,000	1,005,000	1,122,000	1,662,000
Net earnings	$ 972,000	$ 999,000	$ 1,008,000	$ 1,648,000
Per share—fully diluted	$.14	$.14	$.12	$.20

*The quarterly results for fiscal 1982 have been presented exclusive of the $231,000 extraordinary item incurred in the first quarter of fiscal 1982. The quarterly results for 1981 have been restated (see Note 1).

Note 12 - Supplementary Statement of Earnings Information

Advertising costs for fiscal years 1982, 1981 and 1980 amounted to $6,784 000, $3,405,000 and $2,648 000, respectively. No other reporting categories are required for Form 10-K.

Note 13 - Valuation and Qualifying Accounts

		Additions		Deductions	
Description	Balance at beginning of period	Charged to revenue	Charged to other accounts	Write-off of accounts	Balance at end of period
Allowance for doubtful accounts (deducted from accounts receivable in the balance sheet):					
Year ended May 31, 1982	$1,480,000	$2,557,000	$487,000(a)	$2,381,000	$2,143,000
Year ended May 31, 1981	$ 512,000	2,028,000	$100,000(b) 262,000(a)	$1,422,000	$1,480,000

(a) Amounts are recoveries on accounts previously charged to this reserve
(b) Acquired with purchase of new facility

Part III

Item 9. Directors and Executive Officers of the Registrant.

There is hereby incorporated by reference the information which will appear under the caption "Election of Directors" in a Proxy Statement to be filed with the Securities and Exchange Commission relating to Registrant's Annual Meeting of Stockholders to be held on September 30, 1982.

Item 10. Management Remuneration and Transactions.

There is hereby incorporated by reference the information which will appear under the caption "Remuneration of Officers and Directors" in a Proxy Statement to be filed with the Securities and Exchange Commission relating to Registrant's Annual Meeting of Stockholders to be held on September 30, 1982.

Part IV

Item 11. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) 1. *Financial Statements*

Included in Part II of this report:

Report of Independent Certified Public Accountants

May 31, 1982 and 1981

Consolidated Balance Sheet

Year Ended May 31, 1982, 1981 and 1980

Consolidated Statement of Earnings

Consolidated Statement of Changes in Stockholders' Equity

Consolidated Statement of Changes in Financial Position

Notes to Consolidated Financial Statements

2. *Financial Statement Schedules*

Information required to be filed as Financial Statement Schedules has been included in Notes to Consolidated Financial Statements. Other Schedules are omitted because the conditions requiring their filing do not exist.

3. *Exhibits*

The exhibits listed on the accompanying index to exhibits are filed as part of this annual report.

(b) *Reports on Form 8-K*

None filed during 4th quarter of fiscal year 1982.

Signatures

Pursuant to the requirements of Sections 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, August 6, 1982.

COMPREHENSIVE CARE CORPORATION

By B L Karns
B. Lee Karns
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates so indicated.

Signature	Title	Date
B L Karns B. Lee Karns	President (Chief Executive Officer) and Director	August 6, 1982
W. James Nicol	Vice President — Finance and Administration, Treasurer and Secretary (Chief Financial Officer)	August 6, 1982
Stephen R. Munroe	Controller (Chief Accounting Officer)	August 6, 1982
Stewart B. Hoover, M.D. Stewart B. Hoover, M.D.	Director	August 6, 1982
Jack A McLeod Jack A. McLeod	Director	August 6, 1982
Joseph A. Pursch, M.D.	Director	August 6, 1982

Index to Exhibits
Item 11 (a) 3

(1) Filed as an exhibit to Registrant's Form S-1 Registration Statement No. 2-69263.
(2) Filed as an exhibit to Registrant's Form 10-K for the fiscal year ended May 31, 1980.
(3) Filed as an exhibit to Registrant's Form S-8 Registration Statement No. 2-62410.
(4) Filed as an exhibit to Registrant's Form 10-K for the fiscal year ended May 31, 1977.
(5) Filed as an exhibit to Registrant's Form S-1 Registration Statement No. 2-35139.
(6) Filed as an exhibit to Registrant's Form 8-K for November 1972.
(7) Filed as an exhibit to Registrant's Form 8-K dated July 1, 1981.
(8) Filed as an exhibit to Registrant's Form 10-K for the fiscal year ended May 31, 1981.
(9) Filed as an exhibit to Registrant's Form S-8 Registration Statement No. 2-75129.

All such exhibits are incorporated herein by this reference.

AGREEMENT PURSUANT TO INSTRUCTION
NO. 4(b) TO EXHIBITS - FORM S-K

Registrant represents that it has no single instrument evidencing long-term debt under which the total amount of securities authorized exceeds 5% of the total assets of Registrant and its subsidiaries on a consolidated basis, and agrees to furnish the Securities and Exchange Commission, upon request, copies of any instruments defining the rights of holder of long-term debt of Registrant.

COMPREHENSIVE CARE CORPORATION

By ____________________
W. James Nicol

DEFERRED COMPENSATION AGREEMENT

This Deferred Compensation Agreement ("Agreement") is entered into on this 6th day of April, 1982, by and between Comprehensive Care Corporation, a Delaware corporation ("CompCare") and B. Lee Karns ("Karns"), at Newport Beach, California.

R E C I T A L S

A. Karns is the President of CompCare and has been employed in that capacity by CompCare since May 1, 1972, but he is not employed pursuant to a formal written employment agreement.

B. Karns and CompCare entered into a Deferred Compensation Agreement dated June 27, 1979 (which replaced a preceding such agreement dated November 3, 1975 and a Death Benefit Agreement dated October 8, 1974, as amended).

C. CompCare desires to retain Karns as its president and to provide him with an additional incentive to continue his employment in that capacity and therefore desires to terminate the Deferred Compensation Agreement dated June 27, 1979 and replace it with another Deferred Compensation Agreement.

NOW, THEREFORE, IT IS AGREED:

1. The Deferred Compensation Agreement dated June 27, 1979 between CompCare and Karns is hereby terminated and it shall be of no further force and effect.

2. CompCare agrees that subsequent to Karns' retirement or termination of employment for other reasons, it will pay to Karns annually for a period of ten (10) years a percentage of (a) his salary for the last complete calendar year of CompCare worked by Karns prior to his retirement or other termination of employment (including death) and (b) the average amount of bonus compensation paid to him during such calendar year and the previous two calendar years, or from the date hereof, whichever period is shorter, as follows:

Date of Death or Retirement or other Termination of Employment	Percentage of Salary and Average Bonus Payable as Deferred Compensation
Date of this Agreement	24%
May 31, 1983	25%
May 31, 1984	26%
May 31, 1985	27%
May 31, 1986	28%
May 31, 1987	29%
May 31, 1988	30%

For purposes of the foregoing calculations, the aggregate salary and average bonus compensation is limited to a maximum of $500,000.

Said deferred compensation payments shall be paid in equal monthly installments and shall commence on the first day of the month immediately following the month in which Karns' retirement or other termination of employment occurs.

In addition, the annual amount of deferred compensation payable to Karns shall be increased as of the first day of the first month of each year during the ten-year deferred compensation period in the event that the Consumer Price Index For All Urban Area Consumers, U.S. City Average, as published by the U.S. Government, Department of Labor, Bureau of Labor Statistics, or any successor department or agency, has increased for the last month of any year during the ten-year deferred compensation period as compared with the last month worked by Karns prior to his retirement or other termination of employment. In such event, the deferred compensation payable to Karns shall be increased in direct proportion to the percentage increase in said Consumer Price Index.

For example, if Karns terminates his employment between May 31, 1983 and May 30, 1984 and if Karns' salary for the last full calendar year prior to his termination of employment was $300,000 and the average bonus paid to him in that year and the two previous years was $50,000, then the amount payable by CompCare to Karns for ten years is $87,500 per year (25% of $350,000) at the rate of $7,291.67 per month. Such amount would be increased each year based upon increases in the cost of living.

3. Karns agrees, as a condition to the performance by CompCare of its obligations hereunder, that subsequent to his retirement or other termination of employment from CompCare, he will render consulting services to CompCare upon its request, but not to exceed an aggregate of fifteen (15) hours per month, provided, however, that Karns shall be excused from performing such consulting services if his failure to perform is due to reasons of health (including physical or mental infirmity). Karns shall be reimbursed for out-of-pocket expenses incurred performing such services.

4. Karns agrees, as a condition to the performance by CompCare of its obligations hereunder, that during the ten-year deferred compensation period, he will not, directly or indirectly, render any services of any advisory nature or otherwise to, or become employed or participate or engage in any business competitive with, any business of CompCare, without its prior written consent; nor shall he permit the use of his name by an entity engaged in any business competitive with any business of CompCare, without its prior written consent; provided, however, that nothing herein shall prohibit Karns from owning securities of a competitor which are relatively insubstantial to the total outstanding securities of such competitor so long as he in fact does not have the power to control or direct management or policies of such competitor and does not serve as a director or officer of, and is not associated in any business manner with, any competitor, except as consented to by CompCare.

5. If Karns' employment is terminated as a result of his death, or if Karns dies during the ten-year deferred compensation period, then the deferred compensation payments provided for herein shall be made to his spouse if she is living or if she is deceased or dies during the ten-year deferred compensation period, then equally to his then living children, or to the survivors if any of said children die during the ten-year deferred compensation period. In the event that Karns is not survived by a spouse or children, or if survived by a spouse and/or children, and all of them die prior to the expiration of the ten-year deferred compensation period, then in such event or at such time, CompCare shall have no obligation to make any payments or further payments under this Agreement and it shall terminate and be of no further force and effect.

6. This Agreement does not constitute an employment agreement and it is understood that Karns is not obligated to remain in the employ of CompCare for any specific period of time and CompCare is not obligated to retain Karns in its employ for any specific period of time.

7. Neither Karns nor any other person entitled to receive payments under this Agreement shall have any right to sell, assign, or otherwise transfer any right under this Agreement; and any attempted sale, assignment or other transfer of any rights under this Agreement shall be null and void and without effect.

8. If CompCare shall at any time be merged or consolidated into or with any corporation, or substantially all the assets of CompCare are transferred to another corporation, then the provisions of this Agreement shall be binding upon and inure to the benefit of the corporation resulting from such merger or consolidation or to which such assets shall be transferred, and this provision shall apply in the event of any subsequent merger, consolidation or transfer.

9. Any provision in this Agreement to the contrary notwithstanding, no deferred compensation shall be payable to Karns hereunder, or to his designated beneficiary, spouse or children, if Karns' employment with CompCare is "terminated for cause." "Terminated for cause" shall mean terminated because of Karns' (1) willful breach of duty in the course of employment; (2) habitual neglect of duty; (3) intemperance; (4) conduct in such a manner as to commit an offense involving moral turpitude under federal, state or local laws; (5) conduct that offends against decency or morality; or (6) conduct that causes public scandal.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date set forth above.

COMPREHENSIVE CARE CORPORATION

By ______________________________
William James Nicol
Vice President, Finance and Administration

(Corporate Seal)

____
B. LEE KARNS

STATE OF CALIFORNIA)
) SS.
COUNTY OF ORANGE)

On this the 6th day of April, 1982, before me, the undersigned Notary Public, personally appeared WILLIAM JAMES NICOL and B. LEE KARNS, known to me to be the persons whose names are subscribed to the within instrument and acknowledged that they executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

____
Cheryl A. Arnold, Notary Public

OFFICIAL SEAL
CHERYL A ARNOLD
NOTARY PUBLIC - CALIFORNIA
ORANGE COUNTY
My comm. expires JAN 24, 1986

LAW OFFICES
NOSSAMAN, KRUEGER & MARSH
THIRTIETH FLOOR · UNION BANK SQUARE
445 SOUTH FIGUEROA STREET
LOS ANGELES, CALIFORNIA 90071
TELEPHONE (213) 628-5221
TELECOPIER (213) 624-0058
TELEX 67-4906

January 4, 1982

REFER TO FILE NUMBER
C0201-000

Ms. Myra Kahne
Title Insurance and Trust Company
3540 Wilshire Boulevard
Suite 901
Los Angeles, California 90010

Re: Brea Hospital - Escrow No. N28-12408-05

Dear Myra:

The purpose of this letter is to set forth instructions to Title Insurance and Trust Company, Escrow Agent for the above referenced transaction, with respect to allocations, prorations and monies to be delivered at the closing of such transaction.

1. Allocation of Proceeds. As set forth in Paragraph 8 of the Agreement of Sale and Escrow Instructions, North Brea shall receive 96.553% of the gross sales proceeds from the transaction and the Coonens shall share equally in the remaining 3.447% of such proceeds. Based on sales proceeds of $4,885,000, CompCare shall deliver a check in the amount of $4,716,614.05, to North Brea Company and a check in the amount of $168,385.95 to Harry S. Coonen and Max Coonen.

2. Proration. In accordance with Paragraph 9 of the Agreement of Sale and Escrow Instructions, rent for January is to be prorated between North Brea and CompCare at the Close of Escrow. Since the monthly rental for the Brea Hospital is $24,797, based on a daily rental rate of $799.90, the amount due from January 1 through January 4, 1982 is $3,199.60, and CompCare shall deliver a check to North Brea Company in that amount.

3. Beneficiary's Demand. North Brea Company, Harry S. Coonen and Max Coonen shall deliver a check to Title Insurance and Trust Company, payable to Central States Pension Fund,

in the amount of the Beneficiary's Demand referred to in paragraph 4(a)(5) of the Agreement of Sale and Escrow Instructions.

There are no further allocations, prorations or monies to be delivered with respect to this transaction.

Very truly yours,

Janis B. Salin
for NOSSAMAN, KRUEGER & MARSH

JBS/lkb

AGREED TO AND ACCEPTED:

COMPREHENSIVE CARE CORPORATION

By ______________________ WILLIAM JAMES NICOL
VICE PRESIDENT
FINANCE AND ADMINISTRATION

NORTH BREA COMPANY

By ______________________

____

82-121011

RECORDING REQUESTEI)Y
AND WHEN RECORDED MAIL TO:

Cheryl A. Arnold
Comprehensive Care Corporation
660 Newport Center Drive
Newport Beach, California 92660

$5.00
C8

RECORDING REQUESTED BY
TITLE INSURANCE & TRUST CO.

RECORDED IN OFFICIAL RECORDS
OF ORANGE COUNTY, CALIFORNIA

2 30 PM APR -7 '82

LEE A. BRANCH, County Recorder

TERMINATION OF LEASE AGREEMENT

BLK (successor to University Health Care and Research Foundation) caa

NPHS, Inc. a California corporation ("NPHS")/, and North Brea Company, a general partnership ("North Brea"), hereby agree that that certain Lease, dated November 19, 1965, between North Brea and Gilbert C. Nee and Margaret Y. Nee (the "Nees"), as amended on January 28, 1966 and March 11, 1968, which Lease was assigned to NPHS pursuant to an Assignment dated April 28, 1969 and recorded June 18, 1969, and which Lease was subleased pursuant to a Sublease dated December 15, 1966, as amended on April 29, 1967, between the Nees and University Health Care and Research Foundation, is hereby terminated, cancelled and of no further force or effect as of January 5, 1982.

Dated as of November 30, 1981.

BLK (successor to University Health Care and Research Foundation) cAA
NPHS, Inc. /

By BL Karns
B. Lee Karns
President

By Cheryl A. Arnold
Cheryl A. Arnold
Secretary

NORTH BREA COMPANY

By ____________________
Max Coonen
General Partner

By ____________________
Harry S. Coonen
General Partner

By ____________________
Sidney Weinberg
General Partner

By ____________________
Margaret Y. Nee
General Partner

Hin 80-78 533

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On January 15, 1982, before me, the undersigned, a Notary Public in and for said State, personally appeared B. Lee Karns known to me to be the President and Cheryl A. Arnold, known to me to be the Secretary of the corporation that executed the within Instrument, known to me to be the persons who executed the Instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within Instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

OFFICIAL SEAL
WILLIAM JAMES NICOL
NOTARY PUBLIC • CALIFORNIA
ORANGE COUNTY
My comm. expires JUN 4 1982

Signature ______________

STATE OF CALIFORNIA)
) ss.
COUNTY OF ________

On January ____, 1982, before me, the undersigned, a Notary Public in and for said State, personally appeared Max Coonen, Harry S. Coonen, Sidney Weinberg and Margaret Y. Nee known to me to be all of the partners of the parnership that executed the within Instrument, and acknowledged to me that such partnership executed the same.

WITNESS my hand and official seal.

Signature ____________________________

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

82-121012

Cheryl A. Arnold
Comprehensive Care Corporation
660 Newport Center Drive
Newport Beach, California 92660

$5.00
C8

RECORDING REQUESTED BY
TITLE INSURANCE & TRUST CO.

RECORDED IN OFFICIAL RECORDS
OF ORANGE COUNTY, CALIFORNIA

-2 30 PM APR -7 '82

LEE A. BRANCH, County Recorder

TERMINATION OF LEASE AGREEMENT

NPHS, Inc. a California corporation (successor to University Health Care and Research Foundation) ("NPHS"), and North Brea Company, a general partnership ("North Brea"), hereby agree that that certain Lease, dated November 19, 1965, between North Brea and Gilbert C. Nee and Margaret Y. Nee (the "Nees"), as amended on January 28, 1966 and March 11, 1968, which Lease was assigned to NPHS pursuant to an Assignment dated April 28, 1969 and recorded June 18, 1969, and which Lease was subleased pursuant to a Sublease dated December 15, 1966, as amended on April 29, 1967, between the Nees and University Health Care and Research Foundation, is hereby terminated, cancelled and of no further force or effect as of January 5, 1982.

Dated as of November 30, 1981.

NPHS, Inc. (successor to University Health Care and Research Foundation)

By____________________
B. Lee Karns
President

By____________________
Cheryl A. Arnold
Secretary

NORTH BREA COMPANY

By Max Coonen
Max Coonen
General Partner

By Harry S. Coonen
Harry S. Coonen
General Partner

By____________________
Sidney Weinberg
General Partner

By____________________
Margaret Y. Nee
General Partner

635078 N.H.

82-121012

STATE OF CALIFORNIA
COUNTY OF ORANGE SS

On January , 1982 before me, the undersigned, a Notary Public in and for said State, personally appeared B. Lee Karns known to me to be the President and W. James Nicol, known to me to be Vice President of the corporation that executed the within Instrument, known to me to be the persons who executed the Instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within Instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

(Partnership)

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES } SS.

On MARCH 31, 1982
before me, the undersigned, a Notary Public in and for said State, personally appeared *****MAX COONEN*****
known to me to be ONE of the partners of the partnership that executed the within instrument, and acknowledged to me that such partnership executed the same.

WITNESS my hand and official seal.

Signature Cheryl Sauvageau

CHERYL SAUVAGEAU
Name (Typed or Printed)

OFFICIAL SEAL
CHERYL SAUVAGEAU
NOTARY PUBLIC - CALIFORNIA
LOS ANGELES COUNTY
My comm. expires SEP 7, 1982

· Public
ie
d
artner-

SP-D19

(This area for official notarial seal)

Signature

STATE OF CALIFORNIA
COUNTY OF Orange } ss

On January 15, 1982, before me, the undersigned, a Notary Public in and for said State, personally appeared
Harry S. Coonen
known to me to be one the partners of the partnership that executed the within instrument and acknowledged to me that such partnership executed the same.

WITNESS my hand and official seal.

Signature Leslie Richards

Leslie Richards
Name (Typed or Printed)

OFFICIAL SEAL
LESLIE RICHARDS
NOTARY PUBLIC - CALIFORNIA
PRINCIPAL OFFICE IN
ORANGE COUNTY
My Commission Exp. Sept. 20, 1985

(This area for official notarial seal)

Form 3003—(Partnership) First American Title Company

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

CALCULATION OF PRIMARY EARNINGS PER SHARE

	Year Ended May 31				
	1982	1981	1980	1979	1978
Net earnings applicable to common stock (a) ..	$7,817,000	$4,627,000	$2,418,000	$1,871,000	$ 903,000
Average number of shares of common stock and common stock equivalents outstanding:					
Average number of shares of common stock outstanding	9,344,842	7,150,744	6,467,368	6,388,464	6,227,376
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	9,344,842	7,150,744	6,467,368	6,388,464	6,227,376
Primary earnings per share	$.84	$.65	$.37	$.29	$.15

CALCULATION OF FULLY DILUTED EARNINGS PER SHARE

	Year Ended May 31				
	1982	1981	1980	1979	1978
Net earnings applicable to common stock on a fully diluted basis(c)	$7,817,000	$4,702,000	$2,496,000	$1,900,000	$ 903,000
Average number of shares outstanding on a fully diluted basis:					
Shares used in calculating primary earnings per share	9,344,842	7,150,744	6,467,368	6,388,464	6,227,376
Additional average number of common stock outstanding assuming conversion of 9% convertible subordinated debentures	165,280	626,442	632,558	230,496	
Dilutive effect of stock options and warrants after application of treasury stock method(b)					
Average number of shares outstanding on a fully diluted basis	9,510,122	7,777,186	7,099,926	6,618,960	6,227,376
Fully diluted earnings per share	$.82	$.60	$.35	$.29	$.15

	1982	1981	1980	1979	1978
(a) Net earnings per Selected Financial Data	$7,817,000	$4,627,000	$2,418,000	$1,871,000	$ 903,000

(b) The dilutive effect of stock options and warrants was less than 3% for 1978 through 1982; therefore, this effect was not shown above.

	1982	1981	1980	1979	1978
(c) Net earnings per Selected Financial Data ..	$7,817,000	$4,627,000	$2,418,000	$1,871,000	$ 903,000
Add interest expense attributable to 9% convertible subordinated debentures, net of applicable income taxes	-	75,000	78,000	29,000	-
	$7,817,000	$4,702,000	$2,496,000	$1,900,000	$ 903,000

EXHIBIT 11

LIST OF REGISTRANT'S SUBSIDIARIES

Company	State or Jurisdiction of Incorporation	Names Under Which Doing Business
NPHS, Inc.	California	Brea Hospital; Tustin Manor; Neuro Affiliates
Trinity Oaks Hospital, Inc.	Texas	CareUnit Hospital of Dallas/Ft. Worth
CAREUNIT, Inc.	California	Same
Caremanor Hospital of Virginia, Inc.	California	Same
Caremanor Hospital of Washington, Inc.	Washington	CareUnit Hospital of Kirkland
Terracina Convalescent Hospital & Home, Inc.	California	Same
Neuro Affiliates Company	California (1)*	Woodview-Calabasas Hospital; Crossroads Hospital
Caremanor of Northeast Florida	Florida (2)*	CareUnit of Jacksonville Beach
Caremanor of Tampa	Florida (3)*	CareUnit of Tampa
Comprehensive Care Corporation (Canada) Limited **	Alberta, Canada	Same

(1) Joint Venture with H.C.A. Health Service of Tenn., Inc.

(2) Joint Venture with Womlar, Inc. and Carter La Prade and James C. Gibbons as Co-Trustees of the Trust for the Benefit of the Children and Grandchildren of Burch Williams.

(3) Joint Venture with Allow, Inc. and Carter La Prade and James C. Gibbons as Co-Trustees of the Trust for the Benefit of the Children and Grandchildren of Burch Williams.

* Registrant has a 50% interest in each joint venture.

** Registrant has an 80% interest in this subsidiary.

EXHIBIT 22

END