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WITH EXHIBITS

Total Number of Pages - 564

Securities and Exchange Commission

Washington, D.C. 20549

Form 10-K   Exhibit Index Located at Page 30

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended May 31, 1984   Commission file no. 0-5751

SECURITIES AND EXCHANGE COMMISSION
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Comprehensive Care Corporation

(Exact name of Registrant as specified in its charter)

PROCESSED BY
AUG 20 1984
DISCLOSURE INCORPORATED

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 X No __

The aggregate market value of voting stock held by non-affiliates of Registrant at July 31, 1984, was $208,374,506.

At July 31, 1984, Registrant had 11,377,112 shares of Common Stock outstanding.

Part III incorporates information by reference from the Proxy Statement for Registrant's Annual Meeting of Stockholders to be held on September 27, 1984.

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 ("CareUnits" and "StressCenters") 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 1984 alcoholism and psychiatric treatment services accounted for approximately 92% of Registrant's total revenues. The tables below summarize relevant information regarding Registrant's operation.

Facility Inventory

	1980	1981	1982	1983	1984
Psychiatric Hospitals	2	2	2	2	3
Alcoholism Treatment Facilities	5	6	6	9	13
Long-Term Care Facilities	3	3	3	3	1
Adult CareUnits	52	60	73	73	81
Adolescent CareUnits	1	2	12	11	16
Adult StressCenters	3	4	7	9	12
Adolescent StressCenters				1	3
Eating Disorders Units					4
RehabCare Units					1
Publications	1	1	1	1	1
	67	78	104	109	135

Hospital Operations

Facility(1)	Year Acquired	Licensed Capacity	Patient Days 1980	1981	1982	1983	1984
Brea Neuropsychiatric Center	1969	142	31,824	33,495	40,427	40,100	44,472
Woodview-Calabasas Hospital	1970	117	23,323	25,612	23,854	25,554	24,375
CareUnit Hospital of Dallas/Fort Worth	1971	83	6,890	8,384	10,917	12,878	14,593
Crossroads Hospital	1972	43	10,757	11,135	11,295	11,551	13,266
CareUnit Hospital of Orange	1976	94	21,481	27,109	31,098	30,426	31,696
CareUnit Hospital of Los Angeles	1978	104	12,587	15,043	14,669	17,112	20,655
CareUnit Hospital of Kirkland(2)	1981	82	25,505	26,606	25,391	25,818	25,530
Shenandoah Lodge(3)	1979	24	3,980	4,251	3,518		
CareUnit of Jacksonville Beach	1982	84			35	12,416	19,355
CareUnit Hospital of Cincinnati	1982	84				27,598	26,880
CareUnit Hospital of St. Louis(4)	1983	135				9,784	31,293
Starting Point, Oak Avenue(5)	1983	68				1,491	13,492
Starting Point, Orange County(6)	1983	59					4,515
Starting Point, Grand Avenue(7)	1983	25					1,294
CareUnit of Tampa(8)	1983	120					3,080
CareUnit Hospital of Albuquerque(9)	1984	[illegible]					205
Golden Valley Health Center(10)	1984	377					155
Patient Days Served During Period			136,347	151,635	161,204	214,728	274,856
Available Beds at End of Period(11)			456	560	659	1,015	1,538
Average Occupancy Rate for Period			74.1%	81.2%	76.0%	70.1%	67.1%(12)

(1) For information concerning the nature of Registrant's interest in the facilities, see Item 2. "Properties."
(2) Managed from 1978 until purchased by Registrant in April 1981.
(3) Closed in February 1982.
(4) Acquired January 1983. During the third quarter of fiscal 1984, the number of licensed beds decreased from 260 to 135 due to a change in licensure (from medical/surgical to psychiatric).
(5) Acquired March 1983.
(6) Opened in September 1983. Prior to this date, Registrant operated a 59-bed skilled nursing facility and a 72-bed residential care facility on these premises.
(7) Acquired in March 1983. Registrant refurbished the facility and opened an adolescent treatment facility in November 1983.
(8) Opened in December 1983.
(9) Opened in May 1984.

(10) In May 1984 Registrant acquired a 50% interest in this facility.

(11) A hospital may have appropriate licensure for more beds than are in service for a number of reasons, including lack of demand, anticipation of future need, seasonality and practical limitations in assigning patients to multiple-bed rooms. Available beds is defined as the number of beds which are available for use at any given time.

(12) The average occupancy rate in fiscal 1984 for hospitals open in fiscal 1983 was 72.4%.

Contract Operations

	1980	1981	1982	1983	1984
Patient Days Served During Period	316,551	396,714	474,964	494,740	589,356
Contracts—Beginning of Period	46	56	66	92	94
Additions	14	15	39	25	42(2)
Deletions	4	5	13	23	19(2)
Contracts—End of Period(1)	56	66	92	94	117
Average Occupied Beds Per Contract	17.4	17.8	16.[illegible]	14.8	15.4
Beds Available—End of Period	1,394	1,543	2,113	2,168	2,668
Average Occupancy Rate for Period	71.2%	74.2%	72.5%	64.7%	67.3%

(1) Excludes contracts executed but not implemented pending government approval or which are otherwise not operational.

(2) During this period Registrant opened 42 new contracts and closed 19 contracts. Seven of these new contracts were added by Behavioral Medical Care, a 70% owned joint venture. Of the 19 contracts closed, two contracts operated in a Minneapolis hospital were closed when Registrant purchased an interest in the hospital and the balance were either terminated by the contracting hospitals (10 contracts) or by the Registrant because of doubtful profit potential (seven contracts).

Alcoholism Treatment Services

Registrant provides alcoholism treatment services in 14 facilities operated by it and in 85 independent general hospitals which have entered into 97 CareUnit contracts ("CareUnit 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-third of all patients treated also suffer from other chemical addictions. The scheduled length of hospital stay for an adult patient is 21 days after detoxification, with an average stay of approximately 17 days. An adolescent patient's hospital stay averages approximately 36 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 CareUnit 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 manager, 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 Registrant's existing CareUnit 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 fee for each patient day of service provided. Fees paid to Registrant are subject to annual adjustments to reflect increases in the Consumer Price Index. Registrant and the hospital share the risk of non-payment 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 six percent of contract revenues in any one year.

Psychiatric Treatment Services

Acute psychiatric treatment services are provided in three hospitals operated by Registrant, a hospital managed by Registrant's partner in a joint venture and 14 independent general hospitals which have entered into 15 StressCenter contracts ("StressCenter 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 typically 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 manager, a psychologist, an occupational therapist, a social worker and appropriate supporting counselors.

Other Services and Supporting Activities

Behavioral Medical Care. In June 1983, the Registrant entered into a joint venture agreement with a subsidiary of Voluntary Hospitals of America, Inc. ("VHA"). This partnership is known as Behavioral Medical Care ("BMC") and is marketing the Registrant's Programs to the approximately 200 VHA member or affiliate hospitals. The Registrant has a 70% interest in the joint venture and is acting as its managing partner.

Eating Disorders Units ("EDU") Registrant offers a comprehensive eating disorders program. Registrant began operation of this program in fiscal 1983. The program treats those suffering from anorexia, bulimia, and obesity on an inpatient basis. Anorexia and bulimia are characterized by abnormal lack of appetite, obsessive concerns with weight, and a distorted self-concept. The Registrant operates eating disorders units in three of its owned facilities and in four contracting hospitals. The terms of EDU contracts are similar to those of CareUnit Contracts.

RehabCare Units. Registrant and another company each own 50% of RehabCare, Inc. which provides rehabilitation therapy services to accident, injury and stroke victims. The services are offered as contract services to community hospitals in a fashion similar to CareUnit, StressCenter and EDU units. This company is also exploring opportunities to provide rehabilitative services in freestanding units. One RehabCare unit has been in operation since February 1984, two contracts have been signed for additional units.

Long-Term Care Facilities. In June 1983, Registrant began converting its 59-bed skilled nursing and 72-bed residential care facilities into a 59-bed alcoholism treatment facility which opened in September 1983. Registrant continues to lease and operate a 99-bed intermediate care facility. This facility provides nursing, 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. For the fiscal year ended May 31, 1984, the average occupancy rate for the intermediate care facility was 98%. It accounted for one percent of Registrant's total revenues. Registrant does not intend to expand its long-term care operations and desires to convert its remaining facility to alcoholism or psychiatric treatment or dispose of it.

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. 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 two percent of Registrant's total revenues in fiscal 1984.

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 1984, Registrant spent $8,797,000 for all forms of advertising. Media advertising (television, radio and print) was $7,587,000 (seven percent of operating revenue). 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 manager whose role in the 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 manager 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 hot line which is staffed by counselors who provide referral 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.

Registrant's marketing efforts are also directed toward increasing the number of its contracts for Programs. Registrant has a 16 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 20 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. The Registrant has established an 80% owned Canadian subsidiary to market CareUnit and StressCenter programs in Canada. This subsidiary, headquartered in Edmonton, Alberta, presently has a three person market development staff.

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 remain general hospitals which elect to offer such services directly rather than through an independent health care management company. However, an increasing number of investor-owned hospital management companies are offering such services. There are many general hospitals with psychiatric units and/or alcoholism treatment units.

The primary competitive factors in attracting referral sources, patients and physicians are reputation, success record, quality of care, 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 1984, approximately four percent of Registrant's operating revenues were received from the federally sponsored Medicare and Medicaid programs and the balance from other sources including Blue Cross and commercial insurance programs, contracting hospitals, and directly from patients.

The Medicare program provides hospitalization, physicians, diagnostic and certain other services to eligible persons 65 years of age and over and others considered disabled. Providers of service are paid by the federal government in accordance with regulations promulgated by the United States Department of Health and Human Services ("HHS") and accept said payment, with nominal coinsurance amounts required of the service recipient, as payment in full. Payments under the Medicare program are generally less than billed charges. Regulations governing the Medicare program are subject to change due to modifications in the enabling statutes, changes in administrative policy and interpretation, and in response to certain court actions. These changes may increase or decrease payment by the Medicare program to Registrant's hospitals.

The Medicare program had previously paid hospitals the lesser of reasonable cost, as defined by regulation, or the hospital's billed charges. The Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") required the Secretary of HHS ("Secretary") to promulgate regulations substantially limiting payments and increases in payments for hospital operating costs. Regulations established under TEFRA limit annual increases in payment from historical costs to a "target rate." The target rate is calculated from regional and national wage and price indices. Hospitals with operating costs less than the target rate may under certain circumstances be entitled to a bonus, hospitals that exceed the limit are penalized. TEFRA also required the Secretary to propose a prospective payment system to Congress by December 31, 1982. Under a prospective payment system a hospital is paid a predetermined fee without regard to the direct costs of providing the service. In response to the Secretary's

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proposal, Congress passed and the President signed P.L. 98-21 into law in April 1983. This law requires prospective payment for hospitals effective October 1, 1983 but provides temporary exemption for certain psychiatric and alcoholism treatment facilities. The Secretary intends to implement prospective payment for alcoholism treatment services by October 1985 and for psychiatric services at an unspecified date.

Seven of Registrant's hospitals participate in the Medicare program. Of these, five are currently exempt from prospective payment (TEFRA target rate limits are applicable to these facilities). Medicare utilization at those facilities participating in the program was approximately four percent in fiscal 1984. Registrant does not believe that the imposition of TEFRA limits or prospective payment have had a material adverse impact on its business at freestanding facilities. Loss of exemption would also not materially impact Registrants business. Substantially all of the hospitals contracting with Registrant for CareUnits, StressCenters and EDU units participate in the Medicare program. Registrant believes that these changes will not have a material adverse impact on its contract operations, however, until the exemptions for alcoholism and psychiatric services are eliminated Registrant is unable to predict their impact.

Hospitals participating in the Medicare program are required to retain the se [illegible] a Medical Review Entity ("MRE"). The MRE is responsible for determining the medical necessity, ap [illegible] ness and quality of care given program patients. In instances where the medical necessity of an admiss [illegible] cedure is challenged by the MRE payment may be delayed, reduced or denied in its entirety. Amounts denied because of medical review may not be charged to the service recipient and are absorbed by the hospital. In non-emergency admissions (which encompasses most of the Registrant's admissions) review is performed prior to the patient's arrival at the hospital. In the event that the MRE does not approve the admission, the patient is referred to an alternative treatment provider such as an outpatient program or sent home. Registrant believes that the existence of MRE's has had a negative impact on census growth in certain owned and contracted units, but is unable to measure the magnitude because the primary impact is in lost admissions.

The Medicaid program is a combined federal and state program providing coverage for low income persons. The specific services offered and reimbursement methods vary from state to state. In the majority of states Medicaid reimbursement is patterned after the Medicare program. Less than two percent of Registrant's operating revenue is derived from the Medicaid program. Accordingly, changes in reimbursement are not expected to have a material adverse impact on the Registrant.

Approximately 96% of Registrant's hospital operating revenue is received from Blue Cross and other commercial insurance companies and directly from patients. Blue Cross plans vary significantly in their methods and levels of payment, including: cost, cost plus, prospective rate, negotiated rate, percentage of charges, and billed charges. Blue Cross and other commercial insurance plans have adopted a number of innovative payment mechanisms for the primary purpose of decreasing the amounts paid to hospitals (including Registrant) for services rendered. These plans include various forms of utilization review, preferred provider arrangements where use of participating hospitals is encouraged in exchange for a discount, and limitations on payment based on community norms. Registrant has not suffered material adverse impact due to participation in these plans. Registrant is unable to predict the impact of changing payment mechanisms in future years.

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 CareUnit, StressCenter, or EDU Programs 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.

Pursuant to the requirements of federal law, most states have Certificate of Need ("CON") laws, 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 Registrant's contract programs) in existing facilities, Registrant (in the case of its facilities), or the contracting hospital for a contract 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 12 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, 1984, the Registrant had entered into, but not yet opened 15 CareUnit Contracts, one StressCenter Contract, two EDU Contracts and two RehabCare Contracts with general hospitals, 15 of which are awaiting government approval. In addition, the Registrant's Canadian subsidiary has 12 contracts awaiting government approval. Some states have enacted or have under legislative consideration

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"sunset" provisions which require the review, modification or deletion of statutes when no longer needed. CON legislation is under review in a number of states under these provisions. Registrant is unable to predict the outcome of these deliberations but believes that the elimination of CON requirements would positively impact its business.

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. 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 and hospitals under contract have received or, in the case of new facilities, applied for, 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 national health initiatives have been introduced in Congress. To date, no such 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 for all payors, 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 operations, marketing, accounting, medical insurance claims, governmental and statistical reporting, advertising and public relations, research and treatment program evaluation. During the fourth quarter of fiscal 1984, the Registrant moved its marketing and operations support staff from its St. Louis regional office. Registrant's marketing staff relocated to its Newport Beach headquarters while certain operations support staff were relocated to a new regional office in Tampa, Florida. Registrant has purchased a 75,000 square foot office building in Irvine, California where it intends to relocate its headquarters in the fourth quarter of fiscal 1985. In addition to housing the Registrant's administrative staff, this facility will be the site of its primary training center.

At May 31, 1984, Registrant employed approximately 150 persons in its corporate and administrative offices, 2,300 persons in the hospital and long-term health care facilities operated by it, and 630 persons assigned to its contract units. The physicians and psychiatrists who are the medical directors of Registrant's contract units, the psychologists serving on treatment teams, and the doctors utilizing the hospital 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. 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, 1984:

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	43	Leased	1972	1997	$ 5,577
CareUnit Hospital(4), Kirkland, Washington	82	Leased	1981	2035	12,000(5)
CareUnit Hospital(6)(15), Fort Worth, Texas	83	Owned	1981	—	—
CareUnit Hospital(7)(15), Orange, California	94	Owned	1981	—	—
CareUnit Hosptial(15), Los Angeles, California	104	Owned	1978	—	—
CareUnit Facility(8)(15), Jacksonville Beach, Florida	84	Owned	1982	—	—
CareUnit Facility(8)(15), Tampa, Florida	120	Owned	1983	—	—
CareUnit Hospital(8)(15), Cincinnati, Ohio	84	Owned	1982	—	—
CareUnit Hospital(15), St. Louis, Missouri	135	Owned	1983	—	—
Starting Point, Oak Avenue, Orangevale, California	68	Owned	1983	—	—
Starting Point, Orange County(9)(15), Costa Mesa, California	59	Owned	1981	—	—
Starting Point, Grand Avenue(15), Sacramento, California	25	Owned	1983	—	—
CareUnit Hospital(10), Albuquerque, New Mexico	70	Leased	1982	2012	4,049
Psychiatric Treatment Facilities					
Brea Neuropsychiatric Center(11), Brea, California	142	Owned	1982	—	—
Woodview-Calabasas Hospital(12), Calabasas, California	117	Leased	1970	1996	19,227(13)(14)
Golden Valley Health Center(8), Golden Valley, Minnesota	377	Owned	1984	—	—
Tustin Manor, Tustin, California (Intermediate care facility)	99	Leased	1970	1995	7,754(13)
	Square Feet				
Administrative Facilities					
Corporate Headquarters, Newport Beach, California	21,452	Leased	1976	1996	21,702
Regional Headquarters, Tampa, Florida	5,797	Leased	1984	1989	8,623
Regional Headquarters, Bridgeton, Missouri (Office closed June 1984)	18,759	Leased	1979	1984	15,835
Publications Division, Minneapolis, Minnesota	10,050	Leased	1981	1986	4,879

(1) Assumes all options to renew will be exercised (except Bridgeton office).
(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%.

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(6) Leased by Registrant from 1971 to 1981.
(7) Leased by Registrant from 1976 to 1981.
(8) Owned by a joint venture and managed by Registrant.
(9) In September 1983, two of the Company's long-term care facilities were converted to a Starting Point alcoholism treatment facility.
(10) The Company has a 30 year land lease for the facility in Albuquerque which includes 182,200 square feet of land.
(11) Leased by Registrant from 1969 to 1982
(12) Leased by Registrant and managed by the Registrant's partner in a joint venture.
(13) Subject to increase every five years based upon the Consumer Price Index.
(14) Subject of a legal action commenced in December 1979 in Superior Court, State of California, by the lessor. The lessor 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 June 1976 to May 1981 and increased to approximately $13,000 per month in June 1981.
(15) Subject to encumbrances. For information concerning Registrant's long-term debt see Note 3 to Consolidated Financial Statements appearing elsewhere in this report.

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.

On June 1, 1984, the State Department of Health Services and Office of Statewide Health Planning and Development filed an action against the Registrant in Superior Court, State of California for the County of Orange. The action seeks an injunction prohibiting the operation of chemical dependency recovery services at Starting Point, Orange County, a licensed skilled nursing facility. The primary issue is whether such services can be offered in a skilled nursing facility or whether a change of license category is required. The action also seeks civil penalties for allegedly violating the Certificate of Need law and for advertising its services for which it is not properly licensed. A hearing has been held and the Court refused to issue a preliminary injunction, thus permitting the facility to continue in operation. Registrant considers this action to be without merit.

Item 4. Submission of Matters to Vote of Security Holders.

Inapplicable.

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Part II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.

(a) Registrant's Common Stock is traded on the national 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 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
1983:	First Quarter	14⅜	9⅞
	Second Quarter	20	13¾
	Third Quarter	26½	17½
	Fourth Quarter	37	24¼
1984:	First Quarter	39¾	23⅝
	Second Quarter	25¼	17⅞
	Third Quarter	25⅜	18¾
	Fourth Quarter	22¼	18¼

(b) The approximate number of holders of Common Stock of Registrant as of June 30, 1984 was 11,000.

(c) Registrant paid $.06 and $.08 per share cash dividends on a quarterly basis during the fiscal years ended May 31, 1983 and May 31, 1984, respectively, or an aggregate of $.24 and $.32 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 21, 1984, Registrant's Board of Directors declared a quarterly dividend of $.10 per share payable August 16, 1984, to stockholders of record July 31, 1984.

Item 6. Selected Financial Data.

The following tables summarize selected consolidated financial data and should be read in conjunction with the more detailed consolidated financial statements and notes thereto appearing at page 15 of this report.

	Year Ended May 31, 1980	1981	1982	1983	1984
	(Dollars in thousands, except per share data)				
Income Statement Data:					
Revenues					
Operating	$38,979	$51,35[illegible]	$68,709	$86,126	$107,913
Interest	67	1,232	4,610	2,845	5,416
Other	127	173	166	412	353
	39,173	52,756	73,485	89,383	113,682
Costs and Expenses					
Operating	23,[illegible]5	29,546	39,349	46,619	58,817
General, administrative and marketing	9,251	12,227	16,930	18,574	22,742
Depreciation and amortization	863	977	1,448	1,952	2,781
Interest	613	617	603	660	783
	34,352	43,367	58,330	67,805	85,123
Earnings before taxes on income and extraordinary item	4,821	9,389	15,155	21,578	28,559
Net earnings(1)	2,418	4,627	7,586	10,767	14,058
Earnings per common share(1)					
Primary	.37	.65	.81	1.07	1.24
Fully diluted	.35	.60	.80	1.07	1.24
Cash dividends per share	.08	.10	.16	.24	.32

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

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	At May 31,				
	1980	1981	1982	1983	1984
	(Dollars in thousands)				
Balance Sheet Data:					
Working capital	$ 4,076	$16,828	$30,934	$ 59,691	$ 55,481
Total assets	20,281	41,116	69,073	119,491	144,290
Long-term debt	6,700	7,686	5,085	6,062	14,658
Stockholders' equity	7,709	23,188	53,561	100,489	110,910

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	
	1982	1983	1984	1982-83	1983-84
Revenues					
Operating	93.5%	96.3%	94.9%	25.3%	25.3%
Interest	6.3	3.2	4.8	(38.3)	90.4
Other	.2	.5	.3	148.2	(14.3)
	100.0	100.0	100.0	21.6	27.2
Costs and Expenses					
Operating	53.6	52.2	51.8	18.5	26.2
General, administrative and marketing	23.0	20.8	20.0	9.7	22.4
Depreciation and amortization	2.0	2.2	2.4	34.8	42.5
Interest	.8	.7	.7	9.5	18.6
Earnings before taxes on income	20.6	24.1	25.1	42.4	32.4
Taxes on income	10.3	12.1	12.7	42.8	34.1
Earnings before extraordinary item	10.3	12.0	12.4	41.9	30.6

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 improved 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. Interest income, resulting from Registrant's public offerings, has been a significant factor in revenue growth. 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 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 increased from approximately 54% in fiscal 1982 to 58% in fiscal 1983 and to 60% in fiscal 1984. Contract operations represent approximately 41% of operating revenues in fiscal 1982 and 37% for both fiscal 1983 and 1984. Registrant's 142-bed psychiatric hospital in Brea, California is a significant contributor to total revenues and net income.

Operating revenue for fiscal 1984 and fiscal 1983 increased 25.3% for both periods. For fiscal 1984, approximately (i) 35% was due to increased utilization of existing contracts and hospitals, (ii) 25% was due to price increases at existing hospitals and contracts, (iii) 30% was from the two hospitals opened in fiscal 1983, (iv) 5% was from other new hospitals, and (v) 5% was from revenues of new contracts, net of units closed. Of the increase for fiscal 1983, approximately (i) 40% was due to price increases at existing freestanding facilities and contracts, (ii) 30% was due to revenues generated by the operation of new freestanding facilities and (iii) 30% was due to increased utilization of the Registrant's existing freestanding facilities and contracts.

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Registrant's pre-tax margin rose from 20.6% in fiscal 1982, to 24.1% in fiscal 1983 and to 25.1% in fiscal 1984. A significant factor in the increase for fiscal 1983 and fiscal 1984 was the interest income resulting from investment of the proceeds of Registrant's public offerings. Operating margins for the same periods were 15.3%, 21.6% and 21.4%, respectively. Factors contributing to the increase in margin in fiscal 1983 were the reduction of media advertising from approximately 8.8% of operating revenues in fiscal 1982 to 6.2% in fiscal 1983. The closing of marginal units beginning in the fourth quarter of fiscal 1982 and other cost containment measures instituted in fiscal 1983 also contributed to the improvement in operating margin. Pre-tax operating margins declined slightly in fiscal 1984 from 21.6% to 21.4%. Media advertising increased from 6.2% of operating revenues in fiscal 1983 to 7.0% in fiscal 1984. For the year ended May 31, 1984, the Registrant accrued no charge to earnings for its executive bonus plan as it did not meet its internal operating goals upon which the bonus is determined. For the year ended May 31, 1983, the charge under this plan was approximately $1,600,000 ($.08 per share). Margins in fiscal 1984 were negatively impacted by the lower-than-average margin at its CareUnit Hospital of St. Louis, start-up costs associated with and the losses incurred during the conversion of the Registrant's two long-term care facilities to a Starting Point hospital and the start-up costs associated with the new BMC, RehabCare and Canadian operations.

Interest income declined in fiscal 1983 because of lower cash balances (due to expenditures for the acquisition or construction of new facilities, and the expansion of existing facilities) and falling interest rates. The increase in 1984 was principally a result of investing a substantial portion of the proceeds from Registrant's sale of common stock in April 1983, in interest bearing securities.

Interest expense increased in fiscal 1984 by approximately $453,000. This increase was principally due to the financing of CareUnit Hospital of St. Louis. This was offset by the capitalization of interest relating to the construction of new facilities in Tampa, Florida, Las Vegas, Nevada and Albuquerque, New Mexico of approximately $330,000.

The increase in depreciation expense can be attributed primarily to new facilities opened in fiscal 1984 (or late in fiscal 1983) the purchase of CareUnit Hospital of St. Louis in January 1983 and improvements or remodeling completed at existing facilities.

Liquidity and Capital Commitments

As a result of the purchase and construction of new facilities or the expansion of existing facilities, Registrant's current ratio decreased from 5.8:1 at May 31, 1983 to 4.1:1 at May 31, 1984. Accounts receivable turnover increased from 76 days at May 31, 1983 to 79 days at May 31, 1984 as a result of generally slower payments by insurance companies.

Registrant has committed approximately $7,300,000 for construction of a new freestanding facility in Coral Springs, Florida and the refurbishment of existing freestanding facilities. Of this amount $4,600,000 related to the construction of the Coral Springs facility has been funded through an Industrial Development Bond. Registrant has also committed approximately $9,000,000 for the purchase of its new corporate headquarters in Irvine, California.

Registrant has a $10,000,000 bank line of credit, unused at May 31, 1984, which expires September 30, 1985. During the line period Registrant must maintain a compensating balance equal to 5% of the commitment. 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

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

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Comprehensive Care Corporation
Index to Consolidated Financial Statements

Years Ended May 31, 1984, 1983, and 1982

(a) Including selected quarterly financial data.

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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, 1984 and 1983, 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, 1984. 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, 1984 and 1983, and the results of their operations and changes in their financial position for each of the three years in the period ended May 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

Lesley, Thomas, Schwarz & Postma

Newport Beach, California
July 20, 1984.

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Comprehensive Care Corporation and Subsidiaries

Consolidated Balance Sheet

Assets

	May 31, 1984	May 31, 1983
Current assets:		
Cash, including time deposits of $37,263,000 and $45,295,000	$ 41,761,000	$ 48,748,000
Accounts and notes receivable, less allowance for doubtful accounts of $3,513,000 and $3,252,000 (Note 13)	27,270,000	20,881,000
Inventories (Note 1)	967,000	679,000
Prepaid insurance	1,817,000	1,069,000
Prepaid—other	1,553,000	870,000
Total current assets	73,368,000	72,247,000
Property and equipment, at cost (Notes 3, 5 & 8):		
Land and improvements	7,476,000	7,253,000
Buildings and improvements	42,607,000	25,315,000
Furniture and equipment	10,144,000	7,071,000
Leasehold improvements	501,000	891,000
Capital leases	2,704,000	2,704,000
	63,432,000	43,234,000
Less accumulated depreciation and amortization	7,946,000	6,204,000
Total property and equipment	55,486,000	37,030,000
Other assets:		
Costs in excess of net assets of businesses purchased (Note 1)	4,915,000	5,014,000
Notes receivable (Note 2)	4,592,000	1,904,000
Investments (Note 6)	3,760,000	2,586,000
Deferred contract costs (Note 1)	845,000	
Other	1,324,000	710,000
Total other assets	15,436,000	10,214,000
	$144,290,000	$119,491,000

Liabilities and Stockholders' Equity

	May 31, 1984	May 31, 1983
Current liabilities:		
Note payable	$ 554,000	
Accounts payable and accrued liabilities	5,558,000	$ 4,187,000
Accrued salaries and wages	3,850,000	4,167,000
Accrued advertising	1,501,000	1,009,000
Payable to third-party intermediaries	862,000	372,000
Long-term debt payable within one year (Note 3)	1,163,000	479,000
Income taxes payable	4,399,000	2,342,000
Total current liabilities	17,887,000	12,556,000
Long-term debt due after one year (Note 3)	14,658,000	6,062,000
Deferred income taxes (Note 7)	835,000	384,000
Commitments and contingencies (Notes 5 & 14)		
Stockholders' equity (Note 4):		
Common stock, $.10 par value; authorized 30,000,000 shares; issued and outstanding 11,370,212 shares	1,137,000	1,137,000
Additional paid-in capital	75,862,000	75,862,000
Retained earnings	33,911,000	23,490,000
Total stockholders' equity	110,910,000	100,489,000
	$144,290,000	$119,491,000

See notes to consolidated financial statements.

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Comprehensive Care Corporation and Subsidiaries

Consolidated Statement of Earnings

	Year Ended May 31,		
	1984	1983	1982
Revenues (Note 1):			
Operating	$107,913,000	$86,126,000	$68,709,000
Interest	5,416,000	2,845,000	4,610,000
Other	353,000	412,000	166,000
	113,682,000	89,383,000	73,485,000
Costs and Expenses:			
Operating	58,817,000	46,619,000	39,349,000
General, administrative and marketing	22,742,000	18,574,000	16,930,000
Depreciation and amortization (Notes 1 & 8)	2,781,000	1,952,000	1,448,000
Interest	783,000	660,000	603,000
	85,123,000	67,805,000	58,330,000
Earnings before income taxes and extraordinary item	28,559,000	21,578,000	15,155,000
Taxes on income (Note 7)	14,501,000	10,811,000	7,569,000
Earnings before extraordinary item	14,058,000	10,767,000	7,586,000
Extraordinary item (Note 10)			231,000
Net earnings	$ 14,058,000	$10,767,000	$ 7,817,000
Earnings per common share (Note 1):			
Primary:			
Earnings before extraordinary item	$1.24	$1.07	$.81
Extraordinary item			.03
Net earnings	$1.24	$1.07	$.84
Fully diluted:			
Earnings before extraordinary item	$1.24	$1.07	$.80
Extraordinary item			.02
Net earnings	$1.24	$1.07	$.82
Dividends per common share	$ .32	$ .24	$.16

See notes to consolidated financial statements.

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Comprehensive Care Corporation and Subsidiaries

Consolidated Statement of Stockholders' Equity

	Common Stock		Additional Paid-In Capital	Retained Earnings
	Shares	Amount		
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 (Note 4)	1,500,000	150,000	21,553,000	
Conversion of 9% convertible notes	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
Net earnings				10,767,000
Additional shares issued in public offering concluded April 21, 1983 (Note 4)	1,430,000	143,000	38,142,000	
Dividends				(2,468,000)
Exercise of stock options	33,900	3,000	341,000	
Balances, May 31, 1983	11,370,212	1,137,000	75,862,000	23,490,000
Net earnings				14,058,000
Dividends				(3,637,000)
Balances, May 31, 1984	11,370,212	$1,137,000	$75,862,000	$33,911,000

See notes to consolidated financial statements.

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Comprehensive Care Corporation and Subsidiaries

Consolidated Statement of Changes in Financial Position

	Year Ended May 31,		
	1984	1983	1982
Financial resources provided by:			
•Operations:			
Earnings before extraordinary item	$14,058,000	$10,767,000	$ 7,586,000
Items not requiring outlay of working capital:			
Depreciation and amortization of property and equipment	2,614,000	1,908,000	1,421,000
Deferred income taxes	451,000	151,000	186,000
Annuity income	(362,000)	(86,000)	
Amortization of goodwill	167,000	44,000	27,000
Working capital provided by operations	16,928,000	12,784,000	9,220,000
Extraordinary item			231,000
Disposal of property and equipment	4,109,000	179,000	126,000
Additional long-term debt	10,129,000	1,434,000	243,000
Decrease in notes receivable	882,000	1,433,000	106,000
Issuance of common stock		38,629,000	24,057,000
Decrease in other assets	183,000	220,000	
	32,231,000	54,679,000	33,983,000
Financial resources used for:			
Acquisition of property and equipment	25,179,000	14,892,000	14,645,000
Reduction of long-term debt	1,533,000	457,000	2,013,000
Increase in notes receivable	3,570,000	1,418,000	1,632,000
Dividends	3,637,000	2,468,000	1,501,000
Deferred contract costs	845,000		
Increase in costs in excess of net assets of businesses purchased	68,000	4,187,000	
Investments	817,000	2,500,000	
Other applications	792,000		86,000
	36,441,000	25,922,000	19,877,000
Increase (decrease) in working capital	$ (4,210,000)	$28,757,000	$14,106,000
Summary of changes in components of working capital:			
Increase (decrease) in current assets:			
Cash	$ (6,987,000)	$24,505,000	$ 9,644,000
Accounts and notes receivable	6,389,000	5,985,000	4,176,000
Prepaid expenses and inventories	1,719,000	914,000	267,000
Deferred taxes		(285,000)	(29,000)
	1,121,000	31,119,000	14,058,000
Increase (decrease) in current liabilities:			
Note payable	554,000		
Accounts payable and accrued liabilities	1,546,000	2,344,000	915,000
Payable to third-party intermediaries	490,000	(61,000)	(280,000)
Long-term debt payable within one year	684,000	76,000	(454,000)
Income taxes payable	2,057,000	3,000	(229,000)
	5,331,000	2,362,000	(48,000)
Increase (decrease) in working capital	$ (4,210,000)	$28,757,000	$14,106,000

See notes to consolidated financial statements.

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Notes to Consolidated Financial Statements
May 31, 1984, 1983 and 1982

Note 1—Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of the Company, its subsidiaries and the Company's 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 96% 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 at rates generally less than the established billing rate. Payments are subject to audit by intermediaries administering these programs. Revenues from these programs are recorded under reimbursement principles applicable under the circumstances. Although management believes estimated provisions currently recorded properly reflect these revenues, any differences between final settlement 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 amortized over 25 years to 40 years. The amounts at May 31 are net of accumulated amortization of $244,000 and $77,000 in 1984 and 1983, respectively.

Capitalized Interest

Interest incurred during the construction of freestanding facilities is capitalized and subsequently charged to depreciation expense over the life of the related asset. The interest rate utilized is either the rate of the specific borrowing associated with the project or the Company's average interest rate on borrowings (where there is no specific borrowing associated with the project). The amount of interest capitalized in fiscal 1984 was $330,000.

Deferred Contract Costs

The Company has entered into a limited number of contracts with independent general hospitals whereby it will provide services over a period in excess of the standard two year agreement. In recognition of the hospital's long-term commitment, the Company has paid certain amounts to them. These amounts may be used by the hospital for capital improvements or as otherwise determined by the hospital. The Company is entitled to a pro-rata refund in the event that the hospital terminates the contract before its scheduled termination date; accordingly, these amounts are charged to expense over the life of the contract.

Investment Tax Credits

Investment tax credits are utilized under the "flow through" method whereby the provision for income taxes is reduced in the year the credits are 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 period.

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 a two-for-one stock split effected July 10, 1981.

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.

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Note 1—Summary of Significant Accounting Policies (Continued)

The weighted average number of shares outstanding were as follows:

	Year Ended May 31,		
	1984	1983	1982
Primary	11,370,212	10,025,098	9,344,842
Fully diluted	11,370,212	10,025,098	9,510,122

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 manages each facility for a management fee based on gross revenues. The Company and its partners share the joint ventures' profits and losses in proportion to their respective joint venture interests. The Company agreed to loan the Tampa joint venture up to $4,000,000 for the purpose of constructing and furnishing the facility. The loan bears interest at the prime rate plus 2% and is secured by a first mortgage against the facility. Construction of the Tampa facility was completed in December 1983. At May 31, 1984, the amount outstanding under the construction loan agreement was $3,298,000. In July 1983, the Company purchased land in Coral Springs, Florida for approximately $850,000. A joint venture, in which the Company has a 50% interest, has been formed and purchased the land from the Company to build a 100-bed alcoholism treatment facility on it. The Company will serve as facility and joint venture manager. In December 1983, long-term financing was secured for the project in the form of Industrial Development Bonds. Completion of construction is expected in May 1985.

In July 1981, the Company entered into a joint venture partnership in Ohio for the purpose of owning and operating an 84-bed chemical dependency hospital. The Company's partner loaned the joint venture $4,000,000 (at 10% interest) which was used to purchase the building and equipment necessary for operation of the hospital. The Company has a 50% interest in the partnership and manages it for a fee based on gross revenues.

In June 1983, the Company entered into a joint venture agreement with a subsidiary of Voluntary Hospitals of America, Inc. ("VHA"). This partnership, known as Behavioral Medical Care, was formed to market behavioral medicine services to VHA member and affiliate hospitals. The Company has a 70% interest in the joint venture and is acting as its managing partner. The Company is reimbursed its costs of providing management services.

In May 1984, the Company consummated a joint venture agreement with a subsidiary of The Health Central System ("HCS"). The joint venture owns and operates Golden Valley Health Center, a 251-bed behavioral medicine hospital located in a suburb of Minneapolis. The joint venture will also market the Company's behavioral medicine services to HCS affiliate hospitals. The Company serves as managing partner of the joint venture for which it earns a fee based on profitability. The Company has a 50% interest in the joint venture.

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Note 2—Accounting for Interests in Joint Venture Partnerships (Continued)

The Company consolidates its interests 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, 1984	May 31, 1983
Assets		
Current assets	$ 6,870,000	$4,034,000
Property and equipment (net)	16,3[illegible]2,000	2,731,000
Other assets	1,433,000	84,000
	$24,615,000	$6,849,000
Liabilities and partner's equity		
Current liabilities	$ 1,802,000	$1,241,000
Notes payable(1)	2,024,000	694,000
Long-term liabilities	5,054,000	960,000
Partner's equity	15,735,000	3,954,000
	$24,615,000	$6,849,000

(1) These amounts were offset against the Company's notes receivable of $4,048,000 and $1,388,000 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, 1984	1983	1982
Revenues	$14,557,000	$10,668,000	$5,344,000
Costs and expenses			
Operating, general, administrative and marketing	10,924,000	7,787,000	3,772,000
Depreciation and amortization	317,000	146,000	90,000
Interest	451,000	147,000	79,000
	11,692,000	8,080,000	3,941,000
Earnings before taxes on income	$ 2,865,000	$ 2,588,000	$1,403,000

Note 3—Long-Term Debt

Long-term debt consists of the following:

	May 31, 1984	May 31, 1983
7% to 10% notes, payable in monthly installments with maturity dates from 1984 through 1996. Collateralized by real and personal property having a net book value of $6,949,000 and $4,460,000 as of May 31, 1984 and 1983, respectively	$ 2,644,000	$2,881,000
Note payable bearing interest at 72% of prime through 1988, and at 74% of prime for years 1989 through 1994, payable quarterly maturing in 1994. Collateralized by real and personal property having a net book value of $2,939,000	2,939,000	
Note payable bearing interest at 70% of prime through June 1986, and at 74% of prime from July 1986 through 1995, payable quarterly maturing in 1995. Collateralized by real and personal property having a net book value of $4,764,000	4,734,000	
Note payable bearing interest at 10%, payable quarterly with level payments of principal and interest based upon a twenty year amortization schedule, with unpaid principal and interest due in 1995. Collateralized by real and personal property having a net book value of $2,345,000	1,923,000	
Note payable bearing interest at 65% of prime, payable monthly maturing in 1994. Collateralized by real property having a net book value of $1,258,000 and $1,301,000 as of May 31, 1984 and 1983, respectively	913,000	960,000
Capital lease obligations (Note 5)	2,070,000	2,152,000
Other	598,000	548,000
	15,821,000	6,541,000
Less amounts due within one year	1,163,000	479,000
	$14,658,000	$6,062,000

As of May 31, 1984, the annual maturities of long-term debt for the next five years amounted to $1,163,000 in 1985, $1,166,000 in 1986, $1,200,000 in 1987, $1,223,000 in 1988, and $1,303,000 in 1989.

At May 31, 1984, the Company had a $10,000,000 line of credit with a bank. During the line period, the Company must maintain compensating balances equal to 5% of the commitment plus 10% of the average outstanding balance. No amounts were outstanding under this line of credit at May 31, 1984.

Note 4—Stockholders' Equity

The Company effected a two-for-one stock split on July 10, 1981. The following stock option data reflects this stock split.

In November 1973, the Company adopted a non-qualified stock option plan which expired May 31, 1983. Options outstanding at May 31, 1984 must be exercised by October 1986.

	Number of Shares	Option Price Per Share	Option Price Aggregate	Market Price When Granted Per Share	Market Price When Granted Aggregate
Options granted in March 1980	140,000	$5.00-$5.875	$760,000	$5.875	$823,000
Options granted in October 1981	20,700	14.50	300,000	14.50	300,000
Options exercised in fiscal 1982	(113,000)	5.00-5.875	(610,000)	5.875	(664,000)
Options exercised in fiscal 1983	(33,900)	5.00-14.50	(250,000)	5.875-14.50	(259,000)
Options outstanding at May 31, 1984	13,800	$14.50	$200,000	$14.50	$200,000

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Note 4—Stockholders' Equity (Continued)

On June 24, 1983, the Company adopted a stock option plan which was approved at the stockholders annual meeting held in September 1983. The total number of shares of common stock which may be granted under this plan cannot exceed 250,000 shares. The Plan is intended to qualify as an Incentive Stock Option Plan under Section 422A of the Internal Revenue Code of 1954, as amended. At the time of granting an option under the plan, "stock appreciation rights" and "cash appreciation rights" may be concurrently granted. The Plan provides that options must be exercised within 10 years of the date of grant and that no options may be granted under the Plan subsequent to May 31, 1993. No options were granted under the Plan in fiscal 1984.

The following table sets forth non-statutory options granted during the fiscal year ended May 31, 1984:

	Number of Shares	Option Price		Market Price When Granted	
		Per Share	Aggregate	Per Share	Aggregate
Options granted	25,000	$21.00	$525,000	$21.00	$525,000

On April 21, 1983, the Company issued 1,430,000 shares of common stock in a public offering. The price to the public was $28.00 per share, underwriting discounts and commissions were $1.12 per share, other related expenses $.11 per share. The net proceeds to the Company were approximately $26.77 per share or $38,265,000.

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.

Note 5—Lease Commitments

The Company and the Neuro Affiliates joint venture partnership lease facilities, furniture and equipment. The facility leases contain escalation clauses 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,		
	1984	1983	1982
Minimum rentals	$637,000	$482,000	$479,000
Contingent rentals	78,000	9,000	34,000
Total rentals	$715,000	$491,000	$513,000

Assets under capital leases are capitalized using interest rates appropriate at the inception of each lease; contingent rents associated with capital leases in fiscal 1984, 1983 and 1982 were $122,000, $122,000 and $165,000, respectively. The net book value of capital leases at May 31, 1984 and 1983, was $1,531,000 and $1,647,000, 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, 1984:

	Capital Leases			
	Company	Joint Venture	Total	Operating Leases
1985	$ 204,000	$ 122,000	$ 326,000	$ 654,000
1986	204,000	122,000	326,000	462,000
1987	204,000	122,000	326,000	400,000
1988	204,000	100,000	304,000	204,000
1989	204,000	89,000	293,000	142,000
Later years	2,684,000	622,000	3,306,000	1,146,000
Total minimum lease payments	$3,704,000	$1,177,000	4,881,000	$3,008,000
Less amounts representing interest			2,811,000	
Present value of net minimum lease payments			$2,070,000	

Note 6—Deferred Compensation Plan

The Company has a deferred compensation plan for its President. The vested unfunded benefits at May 31, 1984 and 1983 ($765,000 and $619,000), 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 1984, 1983 and 1982 amounted to $146,000, $142,000 and $149,000, respectively. During the fiscal year ended May 1983, the Company purchased a $500,000 annuity from which it intends to meet future obligations of this plan.

In fiscal 1983, the Company also adopted a deferred compensation plan for its key executives. Under provisions of this plan, participants may elect to defer a portion of their current compensation to future periods. A $2,000,000 annuity was purchased to meet anticipated obligations under this plan.

These annuities and the accumulated interest earnings thereon are included in investments on the consolidated balance sheet.

Note 7—Taxes on Income

Federal and state taxes on income consist of the following:

	Year Ended May 31,		
	1984	1983	1982
Currently payable:			
Federal income taxes	$10,336,000	$ 7,247,000	$6,197,000
State income taxes	1,984,000	1,473,000	1,260,000
	12,320,000	8,720,000	7,457,000
Tax benefit from exercise of stock options		38,000	209,000
Deferred federal income taxes	1,824,000	1,750,000	(98,000)
Deferred state income taxes	357,000	303,000	1,000
	2,181,000	2,091,000	112,000
	$14,501,000	$10,811,000	$7,569,000

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,		
	1984	1983	1982
Statutory tax rate applied to pre-tax earnings	$13,137,000	$ 9,926,000	$6,971,000
Add state income taxes net of federal tax benefit	1,279,000	981,000	703,000
Deduct investment tax credit	(270,000)	(237,000)	(112,000)
Loss from unconsolidated subsidiary	118,000		
Amortization of goodwill	77,000	21,000	13,000
Other	160,000	120,000	(6,000)
	$14,501,000	$10,811,000	$7,569,000

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Note 7—Taxes on Income (Continued)

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,		
	1984	1983	1982
Excess tax over book depreciation	$ 406,000	$ 233,000	$152,000
Cash basis accounting and different reporting period for tax purposes by joint ventures	481,000	928,000	35,000
State income taxes not currently deductible	(197,000)	(194,000)	(188,000)
Deferred compensation expense not currently deductible	(403,000)	(77,000)	(74,000)
Cash basis accounting by subsidiaries	1,378,000	573,000	86,000
Compensated absence expense not deducted for tax purposes	(14,000)	(97,000)	(89,000)
Employee benefit expenses not currently recorded for book purposes	407,000	589,000	
Tax benefit from exercise of stock options		38,000	209,000
Other	123,000	93,000	(19,000)
	$2,181,000	$2,031,000	$112,000

Note 8—Property 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.

Cost	Balance Beginning of Period	Additions At Cost	Retirements	Other Changes (a)	Balance End of Period
Year ended May 31, 1984					
Land and improvements	$ 7,253,000	$ 1,725,000	$1,008,000	$(494,000)	$ 7,476,000
Buildings and improvements	25,315,000	20,121,000	3,146,000	317,000	42,607,000
Furniture and equipment	7,071,000	3,220,000	324,000	177,000	10,144,000
Leasehold improvements	891,000	113,000	503,000		501,000
Capitalized leases	2,704,000				2,704,000
	$43,234,000	$25,179,000	$4,981,000	$ —	$63,432,000
Year ended May 31, 1983					
Land and improvements	$ 4,000,000	$ 3,253,000			$ 7,253,000
Buildings and improvements	16,464,000	8,851,000	$ 57,000	$ 57,000	25,315,000
Furniture and equipment	4,643,000	2,783,000	298,000	(57,000)	7,071,000
Leasehold improvements	886,000	5,000			891,000
Capitalized leases	2,704,000				2,704,000
	$28,697,000	$14,892,000	$ 355,000	$ —	$43,234,000
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 leases	4,695,000		1,991,000		2,704,000
	$16,305,000	$14,645,000	$2,253,000	$ —	$28,697,000

(a) Reclassifications

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Note 8—Property and Equipment (Continued)

Accumulated Depreciation and Amortization	Balance Beginning of Period	Additions Charged To Expense	Retirements	Other Changes (a)	Balance End of Period
Year ended May 31, 1984					
Buildings and improvements	$ 2,255,000	$ 1,154,000	$ 277,000	$ 15,000	$ 3,147,000
Furniture and equipment	2,503,000	1,095,000	238,000	(15,000)	3,345,000
Leasehold improvements	389,000	249,000	357,000		281,000
Capitalized leases	1,057,000	116,000			1,173,000
	$ 6,204,000	$ 2,614,000	$ 872,000	$ —	$ 7,946,000
Year ended May 31, 1983					
Buildings and improvements	$ 1,382,000	$ 917,000	$ 43,000	$ (1,000)	$ 2,255,000
Furniture and equipment	1,862,000	774,000	133,000		2,503,000
Leasehold improvements	287,000	101,000		1,000	38[illegible]
Capitalized leases	941,000	116,000			1,057,000
	$ 4,472,000	$ 1,908,000	$ 176,000	$ —	$ 6,204,000
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 leases	2,164,000	173,000	1,396,000		941,000
	$ 4,583,000	$ 1,421,000	$1,532,000	$ —	$ 4,472,000

(a) Reclassifications

Note 9—Acquisition and Disposition of Facilities

In June 1983, the Company entered into a joint venture agreement with a subsidiary of Voluntary Hospitals of America, Inc. ("VHA"). This partnership is known as Behavioral Medical Care ("BMC") and is marketing the Company's services to the approximately 200 VHA member or affiliate hospitals. The Company has a 70% interest in the joint venture and is acting as its managing partner. Four of the Company's existing contracts were with VHA members and were contributed to the joint venture. At May 31, 1984, BMC was operating eleven contracts in nine hospitals with a total complement of 324 beds.

The Company has entered into a joint venture agreement to build and operate a 100-bed alcoholism treatment facility in Coral Springs, Florida (near Ft. Lauderdale). The joint venture has purchased land for approximately $850,000 and has obtained long-term financing for this acquisition and construction through a $6,000,000 Industrial Development Bond issue. Construction of this facility has commenced with completion expected in May 1985. The Company will serve as facility and joint venture manager.

In May 1984, the Company consummated a joint venture agreement with a subsidiary of The Health Central System ("HCS"). The joint venture owns and operates Golden Valley Health Center, a 251-bed behavioral medicine hospital located in a suburb of Minneapolis. The joint venture will also market the Company's behavioral medicine services to HCS affiliate hospitals. The Company operated a 40-bed adolescent chemical dependency unit and a 35-bed adult chemical dependency unit in this hospital from September 1983 to May 1984.

In August 1983, the Company also entered into an agreement to manage SmokEnders, Inc., a company headquartered in Norwalk, Connecticut, which specializes in smoking cessation programs. These programs are delivered at company-managed locations as well as a small number of franchise operations. Under the terms of the agreement, the Company was granted an option to purchase 100 percent of SmokEnders' stock during the three-year term of the agreement and will earn no management fee during that period. For the five months ended May 31, 1984 and the year ended December 31, 1983, SmokEnders, Inc. has incurred operating losses. The Company has advanced SmokEnders $1,070,000.

In May 1984, the Company purchased land and a building in Irvine, California to serve as its corporate headquarters. The building is being prepared for occupancy and is expected to be completed in the fourth quarter of 1985. Terms of the purchase agreement require payment by the Company of $9,000,000 upon completion of the building modifications.

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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, 1984 and 1983

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1984				
Revenues	$25,763,000	$26,945,000	$28,150,000	$32,824,000
Earnings before income taxes	$ 6,521,000	$ 7,065,000	$ 5,962,000	$ 9,011,000
Federal and state income taxes	3,261,000	3,532,000	2,981,000	4,727,000
Net earnings	$ 3,260,000	$ 3,533,000	$ 2,981,000	$ 4,284,000
Earnings per share—fully diluted	$.29	$.31	$.26	$.38
1983				
Revenues	$20,916,000	$21,063,000	$21,123,000	$26,281,000
Earnings before income taxes	$ 5,490,000	$ 5,253,000	$ 4,258,000	$ 6,577,000
Federal and state income taxes	2,750,000	2,643,000	2,183,000	3,235,000
Net earnings	$ 2,740,000	$ 2,610,000	$ 2,075,000	$ 3,342,000
Earnings per share—fully diluted	$.28	$.26	$.21	$.32

Note 12—Supplementary Statement of Earnings Information

Advertising costs for fiscal years 1984, 1983 and 1982 amounted to $8,797,000, $6,217,000 and $6,784,000 respectively. No other reporting categories are required for Form 10-K.

Note 13—Valuation and Qualifying Accounts

Description	Balance at beginning of period	Additions: Charged to revenue	Additions: Charged to other accounts	Deductions: 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, 1984	$3,252,000	$5,935,000	$1,275,000(a)	$6,949,000	$3,513,000
Year ended May 31, 1983	$2,143,000	$3,784,000	$ 541,000(a) $ 430,000(b)	$3,646,000	$3,252,000

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

Note 14—Contingencies

On June 1, 1984, the State Department of Health Services and Office of Statewide Planning and Development filed an action against the Company in the Superior Court, State of California. The action seeks an injunction prohibiting the operation of chemical dependency recovery services at Starting Point, Orange County, a licensed skilled nursing facility. The primary issue is whether such services can be offered in a skilled nursing facility or whether a change of license category is required. The action also seeks civil penalties for allegedly violating the Certificate of Need law and for advertising its services for which it is not properly licensed. A hearing has been held and the Court refused to issue a preliminary injunction. The Company believes this action to be without merit.

Item 9. Disagreements on Accounting and Financial Disclosure.

None.

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Part III

Item 10. 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 27, 1984.

Item 11. Executive Compensation.

There is hereby incorporated by reference the information which will appear under the caption "Executive Compensation" 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 27, 1984.

Item 12. 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 27, 1984.

Item 13. Certain Relationships and Related Transactions.

There is hereby incorporated by reference the information which will appear under the caption "Executive Compensation" in a Proxy Statement to be filed with the Securities Excnange Commission relating to Registrant's Annual Meeting of Stockholders to be held on September 27, 1984.

Part IV

Item 14. 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, 1984 and 1983
Consolidated Balance Sheet
Year Ended May 31, 1984, 1983 and 1982
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 the 4th quarter of fiscal year 1984.

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 13, 1984.

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	Chairman and President (Chief Executive Officer)	August 13, 1984
Stephen R. Munroe	Vice President Accounting Services (Chief Financial Officer)	August 13, 1984
Mark A. Edwards	Corporate Controller (Chief Accounting Officer)	August 13, 1984
Stewart B. Hoover, M.D. Stewart B. Hoover, M.D.	Director	August 13, 1984
Jack A. McLeod	Director	August 13, 1984
Joseph A. Pursch, M.D.	Director	August 13, 1984

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Index to Exhibits Item 14(a)3

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		Page Sequentially Numbered
10.27	Contractor's Agreement dated August 30, 1982, between CareUnit of Tampa and Metric Constructors, Inc. (re construction of CareUnit of Tampa alcoholism facility)(11)	
10.28	Lease Agreement dated January 27, 1982, between St. Joseph Development Corporation and Registrant and Addendum to Base Lease dated March 4, 1983 (re Albuquerque alcoholism facility)(11)	
10.29	Contractor's Agreement dated March 30, 1983, between Registrant and M. A. Mortenson Company (re construction of Albuquerque alcoholism facility)(11)	
10.30	Land Option Agreement dated April 22, 1982, between John K Biegger and Registrant and Amendment to Land Option Agreement and Escrow Instructions dated November 30, 1982 (re Las Vegas facility)(11)	
10.31	Loan Agreement between Registrant and Union Bank (re $10,000,000 Bank Line of Credit) (filed herewith)	49
10.32	Group Annuity Contract between Registrant and Manufacturers Life Insurance Company dated April 18, 1983(12)	
10.33	Annuity Contract between Registrant and New York Life Insurance and Annuity Corporation dated November 2, 1982(12)	
10.34	Joint Venture Agreement dated June 17, 1983, between Registrant and Voluntary Health Enterprises, Inc. (re Behavioral Medical Care) (filed herewith)	53
10.35	Joint Venture Agreement dated May 30, 1984 between Registrant and Brookside Ventures, Inc. (re Golden Valley Health Center) (filed herewith)	86
10.36	Agreement between Registrant and Smokenders, Inc. (filed herewith)	113
10.37	Agreement for purchase of Headquarters Building (filed herewith)	153
10.38	City of Coral Springs, Florida Industrial Development Revenue Bonds (CareUnit of Coral Springs Project) dated September 19, 1983, in the amount of $6,000,000 (filed herewith)	183
10.39	The Industrial Development Authority of the City of St. Louis, Missouri, Industrial Revenue Bond (Comprehensive Care Project) dated September 1, 1983 in the amount of $5,050,000 (filed herewith)	283
10.40	Loan Guarantee By Registrant for Comprehensive Care Corporation (Canada) Limited (filed herewith)	560
11	Computation of Earnings per Share (filed herewith)	562
22	List of Registrant's Subsidiaries (filed herewith)	563
24	Consent of Independent Certified Public Accountants (filed herewith)	564

(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 in 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.
(10) Filed as an exhibit to Registrant's Form 10-K for the fiscal year ended May 31, 1982.
(11) Filed as an exhibit to Registrant's Form 10-Q for the quarter ended February 28, 1983.
(12) Filed as an exhibit to Registrant's Form 10-K for the fiscal year ended May 31, 1983.

All such exhibits are incorporated herein by this reference.

Directors

Walter W. Heller, Ph.D.
Regents' Professor of Economics
University of Minnesota
Minneapolis, Minnesota

Stewart B. Hoover, M.D.
Medical Director, Brea Hospital
Neuropsychiatric Center
Brea, California

Robert B. Hunter, M.D.
Physician-Private Practice
Sedro-Woolley, Washington

B. Lee Karns
Chairman and
President of the Company

George J. Lyon
Principal
Moore, Juran & Co., Inc.
Minneapolis, Minnesota

Jack A. McLeod
First Vice President
Bateman Eichler, Hill Richards
San Diego, California

Joseph A. Pursch, M.D.
Corporate Medical Director,
Physician-Private Practice
Orange, California

Officers

B. Lee Karns
President

Edward J. Carels, Ph.D.
Executive Vice President
Communications

Edward A. Johnson
Executive Vice President
Operations

William James Nicol
Executive Vice President
Behavioral Medical Care
Secretary

Robert W. Rasner
Executive Vice President
Marketing and Development

Richard A. Santoni, Ph.D.
Executive Vice President
Human Resources

Stephen F. Arterburn
Vice President
Operations

James P. Carmany
Vice President
Operations

David C. Comerzan
Vice President
Operations

Nancy J. Corday
Vice President
Strategic Planning

David W. Cross
Vice President
Behavioral Medical Care

Christian G. Jorgensen
Vice President
Communications

Stephen R. Munroe
Vice President
Accounting Services and
Chief Financial Officer

Lynn E. Perdue
Vice President
SmokEnders Operations

Officers (continued)

Mary Lee Potter
Vice President
Human Resources

Stephen J. Toth
Vice President
Human Resources

John J. Acurso
Treasurer

Cheryl A. Arnold
Assistant Secretary

Legal Counsel

Gibson, Dunn & Crutcher
Newport Beach, California

Independent Public Accountants

Lesley, Thomas,
Schwarz & Postma
Newport Beach, California

Transfer Agent

U.S. Stock Transfer
Corporation
Glendale, California

NASDAQ Stock Listing

Symbol "CMPH"

Annual Meeting

Thursday, Sept. 27, 1984
9:00 A.M.
Irvine Marriott Hotel
18000 Von Karman Avenue
Irvine, California 92715

Corporate Headquarters

660 Newport Center Drive
Newport Beach, CA 92660
Telephone: 714/640-8950

Regional Headquarters

Lincoln Pointe
2502 Rocky Point Drive
Tampa, FL 33607
Telephone: 813/888-5033

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COMPREHENSIVE CARE CORPORATION

SUBSIDIARY CORPORATIONS

Subsidiary Corporation	State of Incorporation
CareUnit, Inc.	California
CareUnit Hospital of Albuquerque, Inc. (dba CareUnit Hospital of Albuquerque)	New Mexico
CareUnit Hospital of Nevada, Inc. (dba CareUnit Hospital of Nevada)	Nevada
CareUnit Hospital of St. Louis, Inc. (dba CareUnit Hospital of St. Louis)	Missouri
CareUnit Clinic of Washington, Inc. (dba CareUnit Clinic; dba First Step)	Washington
CareManor Hospital of Virginia, Inc. (dba Shenandoah Lodge - sold)	Virginia
CareManor Hospital of Washington, Inc. (dba CareUnit Hospital of Kirkland)	Washington
Comprehensive Care Corporation	Nevada
CareInstitute (non-profit) (dba ASAP - Americans for Substance Abuse Prevention)	California
Starting Point, Inc. (dba Starting Point)	California
N.P.H.S., Inc.	California
Terracina Convalescent Hospital and Home, Inc. (dba Terracina Convalescent Hospital - sold)	California
Trinity Oaks Hospital, Inc. (dba CareUnit Hospital of Dallas/Ft. Worth)	Texas
RehabCare Corporation (50% owned with Basic American Medical Inc.) (dba RehabCare Unit)	Delaware
Comprehensive Care Corporation of Canada, Ltd. (80% owned by CompCare-U.S.A. and 20% owned by Richard N. Nuttall, M.D.)	Canada

EXHIBIT 22

CC563

CONSENT BY CERTIFIED PUBLIC ACCOUNTANTS
TO INCORPORATION BY REFERENCE OF REPORTS
IN CONTINUOUS OFFERINGS ON FORM S-8

We hereby consent to the incorporation by reference in the prospectuses constituting part of the registration statements on Form S-8 (Nos. 2-62410 and 2-75129) of Comprehensive Care Corporation of our report dated July 20, 1984 appearing on page 14 of this annual report on Form 10-K.

Lesley, Thomas, Schwarz & Postma

Newport Beach, California
August 15, 1984

EXHIBIT 24

END

DISCLOSURE®

THIS STATEMENT WAS FILMED WITH THIS DOCUMENT. IF THE PAGES OF THE DOCUMENT ARE LESS CLEAR THAN THIS STATEMENT IT IS DUE TO THE POOR PHOTOGRAPHIC QUALITY OF THE DOCUMENT.

FILMED

AUG 1984

DISCLOSURE
Incorporated