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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

MANUALLY SIGNED

WITH EXHIBITS

Form 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended May 31, 1993 or

RECD S.E.C.
SEP 13 1993
FEE 034

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _________ to _________
Commission file number 0-5751

COMPREHENSIVE CARE CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	95-2594724 (I.R.S. Employer Identification No.)
16305 Swingley Ridge Drive Suite 100 Chesterfield, Missouri (Address of principal executive offices)	63017 (Zip Code)

Registrant's telephone number, including area code (314) 537-1288

Securities registered pursuant to Section 12(b) of the Act:

PROCESSED BY
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DISCLOSURE INC
L4N

Title of each class	Name of each exchange on which registered
Common Stock, Par Value $.10 per share	New York Stock Exchange, Inc.
Common Share Purchase Rights	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:

7 1/2% Convertible Subordinated Debentures due 2010 (Title of Class) — Over-the-Counter

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 ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of voting stock held by non-affiliates of the Registrant at September 10, 1993, was $17,864,369.

At September 10, 1993, the Registrant had 21,986,916 shares of Common Stock outstanding.

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Documents Incorporated by Reference

Part III incorporates information by reference from the Registrant's definitive proxy statement for the Registrant's 1993 annual meeting of shareholders presently scheduled to be held on November 17, 1993, which Proxy Statement will be filed no later than 120 days after the close of the Registrant's fiscal year ended May 31, 1993.

TOTAL NO. OF PAGES 92

PART I

Item 1. BUSINESS.

Comprehensive Care Corporation (the "Company") is a Delaware corporation which was organized in January 1969. The Company is primarily engaged in developing, marketing and managing programs for the treatment of chemical dependency, including alcohol and drugs, and psychiatric disorders. The programs are provided at freestanding facilities operated by the Company and at independent general hospitals under contracts with the Company. A wholly-owned subsidiary, CareUnit, Inc., develops, markets and manages the Company's contract programs. During fiscal 1993, chemical dependency and psychiatric treatment programs accounted for approximately 93% of the Company's operating revenues. The remaining 7% of fiscal 1993 revenues were derived from other activities, including the business of AccessCare, Inc., a wholly-owned subsidiary primarily engaged in the development and delivery of managed care services for behavioral medicine. The Company formerly owned a company known as RehabCare Corporation ("RehabCare"), which developed, marketed and managed the delivery of comprehensive medical rehabilitation services for functionally disabled persons. The Company offered RehabCare common stock to the public in fiscal 1992, maintaining a minority interest, and during fiscal 1993, sold its remaining 48% stake in RehabCare. Accordingly, revenues from RehabCare were not material to the Company during fiscal 1993.

The following table sets forth for each of the years in the five-year period ended May 31, 1993, the contribution to operating revenues of the Company's freestanding operations, CareUnit, Inc. contracts, RehabCare programs, and other activities.

	Year Ended May 31,				
	1993	1992	1991	1990	1989
Freestanding operations	81%	75%	34%	53%	62%
CareUnit, Inc. contracts	12	14	14	19	21
RehabCare programs	---	6	47	23	12
Other activities	7	5	5	5	5
	100%	100%	100%	100%	100%

FREESTANDING OPERATIONS

The Company currently operates six owned or leased facilities representing 385 available beds. During the fourth fiscal quarter of 1993, the Company closed the 70-bed CareUnit Hospital of Albuquerque, the 100-bed CareUnit of Coral Springs, the 100-bed CareUnit of South Florida/Tampa, the 136-bed Starting Point, Oak Avenue and sold the 50-bed CareUnit Hospital of Nevada. The Company sold the CareUnit Hospital of Albuquerque on July 1, 1993 and has entered into a contract to sell the CareUnit of South Florida/Tampa, a 100-bed chemical dependency facility.

The following table sets forth selected operating data regarding the Company's freestanding facilities. Facilities are designated either psychiatric or chemical dependency based on the license of the facility and the predominant treatment provided. For information concerning the nature of the Company's interest in the facilities, see Item 2, "PROPERTIES".

	Year Acquired(1)	Licensed Beds	Patient Days for Year Ended May 31, 1993	1992	1991	1990	1989
Chemical Dependency/Psychiatric Facilities							
CareUnit Hospital of Fort Worth . . .	1971	83	10,910	13,534	10,591	15,612	23,414
CareUnit Hospital of Kirkland	1981	83	6,506	9,478	9,682	12,812	17,136
CareUnit Hospital of Cincinnati	1982	128	12,243	12,744	12,131	20,608	30,778
Starting Point, Orange County	1983	70	3,487	7,046	10,349	12,818	18,913
CareUnit of Grand Rapids	1985	76	6,348	6,221	7,662	10,190	15,212
Aurora Behavioral Health Hospital (2)	1988	100	7,237	22,070	8,730	11,709	16,014
Closed/Sold Facilities							
Crossroads Hospital (3)			---	1,705	5,078	6,747	10,942
CareUnit Hospital of Albuquerque (4)(5)			4,150	4,098	4,522	7,215	15,543
CareUnit of Coral Springs (4)			3,539	7,617	9,611	13,293	22,399
CareUnit of Jacksonville Beach (6) . .			---	5,026	6,119	12,430	28,218
CareUnit Hospital of Nevada (9)			6,920	7,881	8,632	11,644	13,626
CareUnit of South Florida/Tampa (4) .			6,891	6,761	6,957	7,813	14,653
Newport Point, Inc. (7)			4,669	---	---	---	---
Starting Point, Oak Avenue (4)(8) . . .			8,868	11,988	14,639	21,155	36,039
Woodview-Calabasas Hospital (3) . . .			---	7,913	13,809	14,318	15,513
Other (10)			---	---	7,581	63,860	181,555
Patient days served during period . . .			81,768	124,082	136,093	242,224	459,955
Admissions			7,047	8,859	9,312	14,388	24,715
Available beds at end of period (11) . . .			385	748	1,059	1,513	1,876
Average occupancy rate for period (12) .			28%	38%	29%	39%	64%

(1) Calendar year acquired or leased.

(2) Formerly known as CareUnit of Colorado.

(3) The Company is currently in negotiations to dissolve, retroactive to December 31, 1991, the joint venture which leased Crossroads Hospital and Woodview-Calabasas Hospital. Crossroads Hospital continues to be managed by the Company although in August 1992 it was closed and is currently subleased. Woodview-Calabasas continues to be managed by the Company's joint venture partner although it was closed in April 1993.

(4) In March 1993, CareUnit Hospital of Albuquerque, a seventy-bed chemical dependency facility, CareUnit of Coral Springs, a 100-bed chemical dependency facility, CareUnit of South Florida/Tampa, a 100-bed chemical dependency facility and Starting Point, Oak Avenue, a 136-bed chemical dependency facility were closed.

(5) On July 1, 1993, CareUnit Hospital of Albuquerque was sold.

(6) In February 1992, CareUnit of Jacksonville Beach, an 84-bed chemical dependency facility, was closed. In December 1989, this facility was closed because of significant continuing operating losses.

(7) Joint operating agreement between Century Healthcare of California and Starting Point, Inc. to manage Newport Harbor Psychiatric Hospital, a 68-bed adolescent psychiatric hospital and Starting Point, Orange County, a 70-bed psychiatric facility. This agreement was mutually dissolved on February 28, 1993.

(8) Includes Starting Point, Grand Avenue which was sold in July 1991.

(9) On April 5, 1993, CareUnit Hospital of Nevada, a 50-bed psychiatric facility, was sold.
(10) Includes Brea Hospital Neuropsychiatric Center, CareUnit Hospital of Orange, CareUnit of Orlando, CareUnit of San Diego, CareUnit Hospital of St. Louis, CareUnit of DuPage, Sutter Center for Psychiatry and Golden Valley Health Center. These facilities were closed or sold in fiscal 1989 through 1991.
(11) A facility may have appropriate licensure for more beds than are in use for a number of reasons, including lack of demand, anticipation of future need, renovation 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) Average occupancy rate is calculated by dividing total patient days by the average number of available bed-days during the relevant period.

Freestanding Facility Programs

The services offered at a freestanding facility are determined by the licensure of the facility, the needs of the patient, community and reimbursement considerations including working relationships with managed care companies. A program within the facility represents a separately staffed unit dedicated to the treatment of patients whose primary diagnosis suggests that their treatment needs will best be met within the unit. Patients whose diagnosis suggests the need for supplemental services are accommodated throughout their stay as dictated by the individual treatment plan developed for each patient.

Chemical Dependency. Chemical dependency programs, offered in all freestanding facilities, are delivered under the names CareUnit and Starting Point and include programs for adults and adolescents. Facilities offer a comprehensive treatment program based on therapy and education. The medically based programs utilize a team approach to treatment, with a supervising physician, psychologists, counselors, therapists and specially trained nurses. This multi-disciplinary team approach means that the medical, emotional, psychological, social and physical needs of the patient are all addressed in treatment.

Facilities offer levels of care that can form a continuum of care including detoxification, inpatient, residential, day treatment and outpatient programs which meet the evolving needs of patients and their families. Based on an initial assessment, each patient is placed into the level of care that is most appropriate for his or her needs. Following assessment, each patient admitted into treatment receives a full medical and social history as well as a physical examination which includes those diagnostic studies ordered by the patient's attending physician. Throughout the course of treatment, each plan is reviewed frequently to ensure that it continues to meet the changing needs of the patient. The length of time spent in treatment is dependent on an individual's need and can range from several weeks to several months.

Psychiatric. Psychiatric programs are offered in most of the Company's freestanding facilities. Admission to the programs offered by the Company is typically voluntary although certain facilities provide emergency psychiatric services and accept involuntary patients who are suffering an acute episodic psychiatric incident.

Each patient admitted to a psychiatric program undergoes a complete assessment including an initial evaluation by a psychiatrist, a medical history, physical examination, a laboratory work-up, a nursing assessment, a psychological evaluation, and social and family assessments. The assessments are utilized to develop an individualized treatment plan for each patient.

The treatment programs are undertaken by an interdisciplinary team of professionals experienced in the treatment of psychiatric problems. Length of stay varies in accordance with the severity of the patient's condition. A comprehensive discharge plan is prepared for each patient which may include outpatient psychiatric or psychological treatment, or referral to an alternate treatment facility. Psychiatric programs also are available on an inpatient, day treatment and outpatient basis and form a continuum of care.

Sources of Revenues

During fiscal 1993, approximately 86% of the Company's operating revenues from freestanding operations were received from private sources (private health insurers or directly from patients) and the balance from Medicare, Medicaid and other governmental programs.

Private health insurers offer plans which typically include coverage for chemical dependency or psychiatric treatment. In many instances, the level of coverage for chemical dependency or psychiatric benefits is less than that provided for medical/surgical services. Lower coverage levels result in higher co-payments by the patient who is often unable to meet his or her commitment in its entirety or is unable to pay as rapidly as the insurance company, which tends to increase bad debts and days outstanding in receivables.

Private insurance plans vary significantly in their methods of payment, including: cost, cost plus, prospective rate, negotiated rate, percentage of charges, and billed charges. Health insurers have adopted a number of payment mechanisms for the primary purpose of decreasing the amounts paid to hospitals (including the Company's) for services rendered. These mechanisms include various forms of utilization review, preferred provider arrangements where use of participating hospitals is encouraged in exchange for a discount, and payment limitations or negotiated rates which are based on community standards. Without program changes which offer a continuum of care ranging from outpatient to intensive inpatient services, the Company believes these changing payment mechanisms will continue to have a negative effect on its revenues.

Employers, union trusts and other major purchasers of health care services have become increasingly aggressive in pursuing cost containment. To the extent that major purchasers are self-insured, they actively negotiate with hospitals, Health Maintenance Organizations ("HMOs") and Preferred Provider Organizations ("PPOs") for lower rates. Those major purchasers that are insured or use a third-party administrator expect the insurer or administrator to control claims costs. In addition, many major purchasers of health care services are reconsidering the benefits that they provide and in many cases reducing the level of coverage, thereby shifting more of the burden to their employees or members. Such reductions in benefits have had a negative impact on the Company's business.

Under the Social Security Amendments Act of 1983, a prospective payment system ("PPS") was adopted to cover routine and ancillary operating costs of most Medicare inpatient hospital services. Under this system, the Secretary of the United States Department of Health and Human Services ("HHS") established fixed payment amounts per discharge based on diagnostic-related groups ("DRG"). In general, a hospital's payment for Medicare inpatients is limited to the DRG rate and capital costs, regardless of the amount of services provided to the patient or the length of the patient's hospital stay. Under PPS, a hospital may keep any difference between its prospective payment rate and its operating costs incurred in furnishing inpatient services, but is at risk for any operating costs that exceed its payment rate. Qualified providers of alcohol and drug treatment services are paid under PPS. Psychiatric hospitals, freestanding inpatient rehabilitation facilities and outpatient rehabilitation services are exempt from PPS. Inpatient psychiatric and rehabilitation units within acute care hospitals are eligible to obtain an exemption from PPS upon satisfaction of specified federal criteria. Exempt hospitals and exempt units within acute care hospitals are subject to limitations on the level of cost or the permissible increase in cost subject to reimbursement under the Medicare program, including those limitations imposed under the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"). No assurance can be given that psychiatric services will continue to be eligible for exemption from PPS or that other regulatory or legislative changes will not adversely affect the Company's business.

Five of the Company's facilities participate in the Medicare program. Of these, three are currently excluded from PPS (TEFRA limits are applicable to these facilities). Medicare utilization at those facilities participating in the Medicare program averaged approximately 11% in fiscal 1993. The Company does not believe that the imposition of TEFRA limits or PPS has had a material adverse impact on its business at its freestanding facilities or that loss of exclusion from PPS at freestanding facilities would materially impact the Company's business.

Hospitals participating in the Medicare program are required to retain the services of a peer review organization ("PRO"). The PRO is responsible for determining the medical necessity, appropriateness and quality of care given Medicare program patients. In instances where the medical necessity of an admission or procedure is challenged by the PRO, 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 encompass most of the Company's admissions) review is performed prior to the patient's arrival at the hospital. In the event that the PRO does not approve inpatient admission, the patient may be admitted for outpatient treatment, referred to an alternative treatment provider or sent home. The Company believes that the existence of PROs has reduced inpatient admissions in its facilities serving Medicare patients.

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. Less than 3% of the Company's freestanding facility revenues are derived from the Medicaid program. Accordingly, changes in Medicaid program reimbursement are not expected to have a material adverse impact on the Company's business.

Competition and Promotion

The Company's primary competitors are hospitals and hospital management companies (both not-for-profit and investor-owned) which offer programs similar to those of the Company. The Company has faced generally increasing competition in the last few years. Some of the hospitals which compete with the Company are either owned or supported by governmental agencies or are owned by not-for-profit corporations supported by endowments and charitable contributions which enable some of these hospitals to provide a wide range of services regardless of cost-effectiveness.

Most patients are directed to a specific facility by his or her employer (or their agent), the employers insurance company (i.e. managed care companies), by a physician, by a social services agency or by another health care provider. The Company markets its services by contracting with these referral sources to its programs. The primary competitive factors in attracting referral sources and patients are reputation, success record, cost and quality of care, location and scope of services offered at a facility. The Company believes it is competitive in factors necessary for patient attraction. The Company and its competitors also compete to attract qualified physicians and psychiatrists and other licensed mental health providers.

The Company maintains a public relations program designed to increase public awareness of its treatment programs. During fiscal 1993, the Company spent approximately $2.2 million for media advertising (television, radio and print) in support of its freestanding operations. The forms of media used are specifically tailored to the geographic area in which the public relations efforts are directed.

CONTRACT OPERATIONS

CareUnit, Inc. operates contract programs for behavioral medicine services in dedicated units of independent hospitals. The programs offered are similar to the behavioral medicine services offered in the Company's freestanding facilities.

Under a contract, the hospital furnishes patients with all hospital facilities and services necessary for their generalized medical care, including nursing, dietary and housekeeping. CareUnit, Inc. is obligated to provide a multi-disciplinary team consisting of a physician (who serves as medical director for the program), a program manager, a social worker, a therapist and other appropriate supporting personnel. CareUnit, Inc. also typically provides support in the areas of program implementation and management, staff recruiting, continuing education, treatment team training, community education, advertising, public relations, insurance and ongoing program quality assurance. As a result of reimbursement changes and competitive pressures, the contractual obligations of CareUnit, Inc. have been subject to intense evaluation. In general, some prospective client hospitals have expressed a desire for more control over the services provided by CareUnit, Inc. and, in response, CareUnit, Inc., is providing a more flexible approach to contract management. During fiscal 1993, CareUnit, Inc. through CareInstitute, a wholly owned non-profit subsidiary, managed two contracts from the State of Idaho. These programs provide behavioral medicine services in a residential and outpatient setting.

During fiscal 1993, CareUnit, Inc. continued to experience a decline in the number of contracts and beds although two new contracts and one independent outpatient program were opened. The Company believes that the decline in the number of contracts and beds under contract is a result of managed care intervention and reduction in available reimbursement from third parties, which have had the effect of making CareUnit, Inc.'s contracts less profitable to hospitals. In addition, CareUnit, Inc. terminated three unprofitable contracts during the fiscal year and four were terminated by the contracting hospital.

Responding to market demands, CareUnit, Inc. has implemented, in the majority of its contracts, a program of levels of care, offering a wide range of treatment options including detoxification, inpatient, residential, day-treatment and outpatient. As a result, inpatient occupancy rates have declined as patients are moved to a more appropriate level of care.

The following table sets forth selected operating data regarding behavioral medicine programs managed under contract:

	Year Ended May 31,				
	1993	1992	1991	1990	1989
Number of contracts at end of period (1):					
Adult CareUnits (2)(3)	12	15	21	36	68
Adolescent CareUnits (2)	1	1	2	4	12
Adult CarePsychCenters (2)	3	3	4	6	17
Adolescent CarePsychCenters (2)	0	0	0	1	5
Eating disorders units	1	2	2	2	5
Total	17(5)	21	29	49	107
Available beds at end of period	306	479	685	1,210	2,640
Patient days served during period	51,524	92,574	151,219	358,185	616,862
Admissions	5,139	7,867	11,902	23,996	38,225
Average occupied beds per contract	8.3	9.9	10.6	12.9	14.0
Average occupancy rate for period (4)	39%	42%	45%	50%	57%

(1) Excludes contracts which have been executed but are not operational as of the end of the period.

(2) CareUnit is the service mark under which the Company markets chemical dependency treatment programs. CarePsychCenter is the service mark under which the Company markets psychiatric treatment programs.

(3) Includes two state chemical dependency full-service contracts.

(4) Average occupancy rate is calculated by dividing total patient days by the number of available bed-days during the relevant period.

(5) During fiscal 1993, CareUnit, Inc. opened 3 contracts and closed 7 contracts, 3 of which were terminated by CareUnit, Inc. and 4 by the contracting hospitals.

Sources of Revenues

Patients are admitted to a behavioral medicine program under the contracting hospital's standard admission policies and procedures. The hospital submits to the patient, the patient's insurance company, or other responsible party, a bill which covers the services of the hospital. Generally, CareUnit, Inc. receives a negotiated fee for each patient day of service provided and in many cases also receives a fixed monthly management fee or a percentage of net revenue. Fees paid by the hospital are subject to annual adjustments to reflect changes in the Consumer Price Index. CareUnit, Inc. and the hospital share the risk of nonpayment by patients based on a predetermined percentage participation by CareUnit, Inc. in bad debts. CareUnit, Inc. may also participate with a contracting hospital in charity care and certain contractual allowances and discounts. Hospitals contracting for programs generally suffer from the same reimbursement pressures as the Company's freestanding facilities.

Management contracts are generally entered into for a period of two to five years and thereafter are automatically renewed for successive one-year periods unless either party gives notice of termination at least 90 days prior to the end of such periods. Contracts are also terminable for material defaults. A significant number of contracts are terminable by either party on their anniversary dates.

Development, Competition and Promotion

CareUnit, Inc. directs its development activities toward increasing the number of management contracts with hospitals. The primary competitors of CareUnit, Inc. are hospitals and hospital management companies which offer programs similar to those offered by CareUnit, Inc. A major development effort will be made in conjunction with the Company's managed care subsidiary, AccessCare, Inc., to expand the contract operations in general hospitals to develop the continuum of care.

PUBLISHING ACTIVITIES

Since 1976, the Company (under the name CompCare Publishers) has been engaged in the publication, distribution and sale of books, pamphlets and brochures generally relating to the Company's health care activities. Literature distributed by the Company is sold to patients participating in programs managed by the Company. Such literature is also sold to the general public and educational institutions. The Company does not own or operate the printing facilities used in the publication of its literature. Publishing activities accounted for approximately 5% of the Company's operating revenues in fiscal 1993.

MANAGED CARE OPERATIONS

The Company has provided a managed care product since the acquisition of Mental Health Programs, Inc. in December 1992, and has changed the name to AccessCare, Inc. AccessCare, Inc. provides managed behavioral health and substance abuse service for employers, HMO's, PPO's and other group purchasers of health care. AccessCare, Inc. currently provides service to over 2,900,000 covered lives. The programs and services currently offered by AccessCare, Inc. include fully integrated capitated behavioral healthcare services, employee assistance programs, case management/utilization review services and physician advisor reviews. AccessCare, Inc. distinguishes itself from other providers by furnishing superior clinical management systems, total quality management and supervision, mutual respect for both providers and clients and responsive and appropriate care that includes quality and cost effectiveness. AccessCare, Inc. accounted for approximately 2% of the Company's operating revenues in fiscal 1993. AccessCare, Inc., in concert with a network of providers (i.e., CareUnit, Inc.), will assist the Company to develop an integrated service model to provide quality, cost effective care.

GOVERNMENTAL REGULATION

The development and operation of health care facilities is subject to compliance with various federal, state and local laws and regulations. Health care facilities operated by the Company as well as by hospitals under contract with CareUnit, Inc. must comply with the licensing requirements of federal, state and local health agencies, with state-mandated rate control initiatives, with state certificate of need and similar laws regulating various aspects of the operation of health facilities (including construction of facilities and initiation of new services), and with the requirements of municipal building codes, health codes and local fire departments. State licensing of facilities is a prerequisite to participation in the Medicare and Medicaid programs. Legislative, regulatory and policy changes by governmental agencies (including reduction of budgets for payments under the Medicare, Medicaid and other state and federal governmental health care reimbursement programs) may impact the Company's ability to generate revenue and the utilization of its health care facilities.

Certain facilities operated by the Company are certified as providers for Medicare and Medicaid services. Both the Medicare and Medicaid programs contain specific physical plant, safety, patient care and other requirements that must be satisfied by health care facilities in order to qualify under those programs. The Company believes that the facilities it owns or leases are in substantial compliance with the various Medicare and Medicaid regulatory requirements applicable to them. The requirements for certification under these governmental reimbursement programs are subject to change, and in order to remain qualified for the program, it may be necessary for the Company to effect changes from time to time in its facilities, equipment, personnel and services.

Under the Social Security Act, the Department of Health and Human Services ("HHS") has the authority to impose civil monetary penalties against any participant in the Medicare program that makes claims for payment for services which were not rendered as claimed or were rendered by a person or entity not properly licensed under state law or other false billing practices. The Social Security Act also contains provisions making it a felony for a hospital to make false statements relating to claims for payments under the Medicare program, or to make false statements relating to compliance with the Medicare conditions of participation. In addition, the making of false claims for payment by providers participating in the Medicare program is subject to criminal penalty under federal laws relating generally to claims for payment made to the federal government or any agency.

Various federal and state laws regulate the relationship between providers of health care services and physicians. These laws include the "fraud and abuse" provisions of the Social Security Act, under which civil and criminal penalties can be imposed upon persons who pay or receive remuneration in return for inducement of referrals of patients who are eligible for reimbursement under the Medicare or Medicaid programs. Violations of the law may result in civil and criminal penalties. Civil penalties range from monetary fines that may be levied on a per-violation basis to temporary or permanent exclusion form the Medicare program.

The prohibitions on inducements for referrals are so broadly drafted that they may create liability in connection with a wide variety of business transactions and other hospital-physician relations that have been traditional or commonplace in the health care industry. Courts, HHS and officials of the Office of Inspector General have construed broadly the fraud and abuse provisions of the Social Security Act concerning illegal remuneration arrangements and, in so doing, have created uncertainty as to the legality of numerous types of common business and financial relationships between health care providers and practitioners. Such relationships often are created to respond to competitive pressures.

Limiting "safe harbor" regulations define a narrow scope of practices that will be exempted from prosecution or other enforcement action under the illegal remuneration provisions of the fraud and abuse law. These clarifying regulations may be followed by more aggressive enforcement of these provisions with respect to relationships that do not fit within the specified safe harbor rules. Activities that fall outside of the safe harbor rules include a wide range of activities frequently engaged in between hospitals, physicians and other third parties. These regulations identifying business practices that do not constitute illegal remuneration do not eliminate this uncertainty, and may cause providers and practitioners alike to abandon certain mutually beneficial relationships. The Company does not believe that any such claims or relationships exist with respect to the Company.

In April 1989, the Inspector General of the Department of HHS issued a report on financial arrangements between physicians and health care businesses. The report contained a number of recommendations, including a prohibition of physician referrals to any facilities in which the physician has a financial interest. Congress adopted legislation in 1989 (effective January 1992, the "Stark Amendment"), that, unless an exemption is otherwise available, prohibits or restricts a physician from making a referral for which Medicare reimbursement may be made to a clinical laboratory with which such physician has a financial relationship, and prohibits such clinical laboratory from billing for or receiving reimbursement on account of such referral. On March 11, 1992, proposed regulations implementing the Stark Amendment were issued, but have not been adopted. The Company believes that it is in compliance with the proposed regulations or if not in compliance with any aspect of the regulations the effect will not be material.

However, additional legislation expanding the Stark Amendment to other physician and health care business relationships has been passed as part of the Omnibus Reconciliation Act of 1993 ("OBRA 1993"). OBRA 1993 broadens the services included within the referral prohibition of the Stark Amendment: a physician having a financial relationship with an entity may not make referrals to that entity for "designated health services," which include, in addition to clinical laboratory services, physician therapy services; occupational therapy services; radiology or other diagnostic services; radiation therapy services; durable medical equipment; parenteral and enteral nutrients, equipment and supplies; prosthetics, orthotics and prosthetic devices; home health services; outpatient prescription drugs; and inpatient and outpatient hospital services. This law, applicable to services covered by Medicaid as well as Medicare, takes effect after December 31, 1994, with respect to referrals for the expanded list of designated health services.

Numerous exceptions are allowed under the OBRA 1993 revisions to the Stark Amendment for financial arrangements that would otherwise trigger the referral prohibition. These provide, under certain conditions, exceptions for relationships involving rental of office space and equipment, employment relationships, personal service arrangements, payments unrelated to designated services, physician recruitment and certain isolated transactions. HHS may adopt regulations in the future which expand upon the conditions attached to qualification for these exceptions. Certain of the Company's relationships with physicians in its contract operations, as well as the Company's development of relationships with physicians, will need to be structured in compliance with the law and its exceptions, including any future regulations, by the January 1, 1995 effective date. The Company is unable to predict at this time what effect, if any, the expanded Stark Amendment and any future regulations implementing its provisions, will have upon its business.

President Clinton has appointed a task force to study reform of the health care system on a national basis. The recommendations of the federal task force and the terms of any resulting legislation are as yet unknown. The goals of the President's health care reform plan may include, but would not necessarily be limited to, proposals which would impose short-term governmental price controls, create a national healthcare budget limiting the amount to be spent on health care coverage, and give federal and state governments new powers with respect to medical fees and health insurance premiums. At this time, it is not possible to determine the exact nature of the President's proposals, or their legislative outcome, or their likely impact upon institutional providers.

In addition, several states are undertaking analysis and legislation designed to modify the financing and delivery of health care at the state level. A wide variety of bills and regulations are pending in several states proposing to regulate, control or alter the financing of health care costs; however, it is not possible at this time to predict with assurance the effect on the business of the Company, if any, of such bills or regulatory actions.

ACCREDITATION

The Joint Commission on Accreditation of Healthcare Organizations ("JCAHO") is an independent commission which conducts voluntary accreditation programs with the goal of improving the quality of care provided in health care facilities. Generally, hospitals including dedicated units, long-term care facilities and certain other health care facilities may apply for JCAHO accreditation. If a hospital under contract with CareUnit, Inc. requests a JCAHO survey of its entire facility, the contract program, if a chemical dependency program, will be separately surveyed. After conducting on-site surveys, JCAHO awards accreditation for up to three years to facilities found to be in substantial compliance with JCAHO standards. Accredited facilities are periodically resurveyed. Loss of JCAHO accreditation could adversely affect the hospital's reputation and its ability to obtain third-party reimbursement. All of the Company's freestanding facilities are accredited and the hospitals under contract with CareUnit, Inc. have received or have applied for such accreditation.

ADMINISTRATION AND EMPLOYEES

The Company's executive and administrative offices are located in Chesterfield, Missouri, where management controls operations, business development, legal and accounting, governmental and statistical reporting, research and treatment program evaluation.

At July 31, 1993, the Company employed approximately 30 persons in its corporate and administrative offices, 369 persons in the freestanding facilities operated by it, 109 persons assigned to CareUnit, Inc., 29 persons assigned to AccessCare, Inc. and 17 persons in other operations. The physicians and psychiatrists who are the medical directors of the Company's contract units, the psychologists serving on treatment teams and the physicians utilizing the facilities operated by the Company are not employed by the Company. The Company has not encountered any work stoppages due to labor disputes with its employees.

Item 2. PROPERTIES.

The following table sets forth certain information regarding the properties owned or leased by the Company at May 31, 1993:

Name and Location	Owned or Leased(1)	Lease Expires(2)	Monthly Rental(3)
Chemical Dependency/Psychiatric Treatment Facilities			
CareUnit Hospital . . . . Fort Worth, Texas	Owned	---	---
CareUnit Hospital . . . . Kirkland, Washington	Leased	2035	$15,972 (4)
CareUnit Facility (5) . . . . Jacksonville Beach, Florida	Owned	---	---
CareUnit Hospital . . . . Cincinnati, Ohio	Owned	---	---
Starting Point, Oak Avenue (6) . . . . . . Orangevale, California	Owned	---	---
Starting Point, Orange County . . . . . . Costa Mesa, California	Owned	---	---
CareUnit Hospital (7) . . . . Albuquerque, New Mexico	Owned (8)	---	12,966
CareUnit Facility (6) . . . . Coral Springs, Florida	Owned	---	---
CareUnit Facility . . . . Grand Rapids, Michigan	Leased	1995	8,333
CareUnit Facility (9) . . . . Orlando, Florida	Owned	---	---
Aurora Behavioral Health Hospital . . . Aurora, Colorado	Owned	---	---
CareUnit Facility (10) . . . . San Diego, California	Owned	---	---
CareUnit Facility (6) . . . . Tampa, Florida	Owned	---	---
Crossroads Hospital (11) . . . . Van Nuys, California	Leased	1997	5,577
Other Operating Facilities			
CompCare Publishers . . . . Minneapolis, Minnesota	Leased	1997	3,009
AccessCare, Inc.			
Tampa, Florida	Leased	1995	5,201
Las Vegas, Nevada	Leased	1995	1,897
Administrative Facilities			
Corporate Headquarters . . . . Chesterfield, Missouri	Leased	1997	11,355
Regional Headquarters (12) . . . . Newport Beach, California	Leased	1995	4,408
Data Processing Center . . . . Riverside, California	Leased	1994	3,882

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(1) Subject to encumbrances. For information concerning the Company's long-term debt, see Note 10 to the Company's consolidated financial statements contained in this report.

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

(3) All leases, other than those relating to the Company's administrative facilities, are triple net leases under which the Company bears all costs of operations, including insurance, taxes and utilities. The Company is

responsible for specified increases in taxes, assessments and operating costs relating to its administrative facilities.

(4) Subject to increase every three years based upon increases in the Consumer Price Index, not to exceed 10%.
(5) Closed February 1992. The Company intends to sell this property.
(6) Closed March, 1993. The Company intends to sell this property.
(7) Closed March, 1993. The Company sold this property on July 1, 1993.
(8) Constructed on leased land.
(9) Closed October 1990. The Company intends to sell this property.
(10) Closed December 1989. The Company intends to sell this property.
(11) Closed August, 1992. The Company has sublet this property.
(12) This office was closed in April 1993. The Company intends to sublet this property.

Item 3. LEGAL PROCEEDINGS.

On March 23, 1990 three stockholder class action complaints were consolidated in the United States District Court for the Eastern District of Virginia against the Company, the directors of the Company and others (Himler et al vs. First Hospital Corporation et al, Case No. 89-763-N) alleging violations of the federal securities laws, common law fraud, breach of fiduciary duty and other claims as a result of the terminated reorganization with First Hospital Corporation. In June 1990, the Company and the Company's directors entered into an agreement to settle the consolidated stockholder class actions. On August 3, 1990, the District Court denied the plaintiffs' motion for the class certification and on December 10, 1991 denied plaintiffs' request to approve the settlement. The case was voluntarily dismissed May 6, 1992, with prejudice, and plaintiffs appealed the denial of class certification. The appeal was argued in March 1993 and in April 1993, the Fourth Circuit Court dismissed the plaintiffs' appeal. While it is possible that plaintiffs may attempt to ask the Fourth Circuit Court for reconsideration, it is management's belief that plaintiffs will not pursue this lawsuit any further.

On August 15, 1991, a complaint was filed in the United States District Court for the District of Oregon by George B. Newman and JGN Corporation against the Company, certain directors of the Company, Dr. Ronald I. Dozoretz, First Hospital Corporation, and Prudential-Bache Securities, Inc. (Case No. 91-759-JO). Three other plaintiffs joined in the action in October 1991. The plaintiffs allege violations of Oregon and federal securities laws and negligence against all defendants, violations of racketeering laws against Prudential-Bache, common law fraud against all defendants except the Company, breaches of fiduciary duty against the director defendants, conspiracy to and breach of fiduciary duty against First Hospital Corporation and Dr. Dozoretz. In July 1993, the Company and the plaintiffs entered into a settlement agreement providing for the release of the Company from all claims by the plaintiffs conditioned upon the payment by the Company of $710,000 by October 18, 1993. In addition, the Company and First Hospital Corporation have entered into an agreement whereby the Company has determined not to file any claim against First Hospital Corporation on any matter related to the failed merger. Similarly, First Hospital Corporation has determined not to pursue further claim against the Company for any matter related to the failed merger.

On October 30, 1992, the Company filed a complaint in the United States District Court for the Eastern District of Missouri against RehabCare seeking damages for violations by RehabCare of the securities laws of the United States, for common law fraud and for breach of contract (Case No. 4-92CV002194-SNL). The Company seeks relief of damages in the lost benefit of certain stockholder appreciation rights in an amount in excess of $3.6 million and punitive damages. On May 18, 1993, the District Court denied a motion for summary judgement filed by RehabCare. On June 16, 1993, RehabCare filed a counter claim seeking a declaratory judgement with respect to the rights of both parties under the stock redemption agreement, an injunction enjoining the Company from taking action under stock redemption or restated shareholders agreements and damages. The Company has filed a motion with the court to strike RehabCare's request for damages for attorneys fees and costs on the grounds that such relief is not permitted by law nor authorized by the agreements between the parties. This case has been scheduled for trial on May 9, 1994. Management believes that the Company's allegations are with merit and intends to vigorously pursue their suit. Management further believes that even should RehabCare prevail at trial on their request for attorneys fees and costs, such fees and costs would not materially affect the financial statements of the Company.

Other Litigation

The Company is currently undergoing a payroll tax audit by the Internal Revenue Service ("IRS") for calendar years 1983 through 1991. The IRS agent conducting the audit has asserted that certain physicians and psychologists and other staff engaged as independent contractors by the Company should have been treated as employees for payroll tax purposes. On April 8, 1991, the Company received a proposed assessment related to this assertion claiming additional taxes and penalties due totaling approximately $19.4 million for calendar years 1983 through 1988. The Company has filed a protest with the IRS and intends to defend vigorously any claims made by the IRS related to this issue. While management believes the Company has strong arguments to support its treatment of the independent contractors to whom substantially all of the assessment relates, management is unable to predict the ultimate outcome of the IRS audit. A reserve has been established with respect to this matter to cover expenses the Company expects to incur. The Company and RehabCare, in May 1991, entered into a Tax Sharing Agreement providing for the Company to indemnify RehabCare for any claims of income or payroll taxes due for all periods through February 28, 1991.

The federal income tax returns of the Company for its fiscal years ended 1984 and 1987 through 1991, are under examination by the IRS. The Company recently received a 30-day letter from the IRS in which the IRS proposes to assess additional income taxes in the aggregate amount of $12.3 million. The Company has received an indication from the IRS that the 30-day letter might be modified or withdrawn. In the event that the IRS does not withdraw the 30-day letter, the Company intends to file a protest and to vigorously contest the proposed additional taxes before the Appeals Office of the IRS. Although the Company has substantial arguments in opposition to the proposed additional taxes, the Company is unable at this time to predict accurately the outcome of this matter. Management believes that should the event of an additional tax assessment occur, the Company would apply its net operating losses against such assessment to the extent provided by law.

From time to time, the Company and its subsidiaries are also parties and their property is subject to ordinary routine litigation incidental to their business. In some pending cases, claims exceed insurance policy limits and the Company or a subsidiary may have exposure to liability that is not covered by insurance. Management believes that the outcome of lawsuits will not have a material adverse impact on the Company's financial statements.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

During the fourth quarter of the Company's fiscal year no matters were submitted to a vote of its security holders.

EXECUTIVE OFFICERS OF THE COMPANY

RICHARD C. PETERS, age 53. Mr. Peters has been employed by the Company since August 1991. Mr. Peters was elected interim President and Chief Executive Officer of the Company on February 18, 1993. Prior to this election, Mr. Peters was Executive Vice President of the Company from August 1991 to February 1993. He has also served from October 1992 to the present as President of AccessCare, Inc. Prior to his employment with the Company, Mr. Peters was chairman and principal of Physician Care, Inc. which provides consultation to managed care hospitals and healthcare providers since May 1990. He was Executive Vice President of First Hospital Corporation and President of Options, Inc. (a wholly-owned subsidiary of First Hospital Corporation) from 1986 to 1990.

ROBERT H. OSBURN, age 39. Mr. Osburn joined the Company as Executive Vice President, Hospital Operations on October 1, 1991. Prior to his employment with the Company, he was President of Healthcare Enhancement Systems, which was purchased by CompCare on October 1, 1991. He was President of Versacare Services from February 1988 to October 1989; President of Vanguard Health Care Corp. from March 1986 to February 1988; and served in a variety of administrative and executive capacities with Charter Medical Corp. from November 1978 to March 1986.

FRED C. FOLLMER, age 50. Mr. Follmer joined the Company as Senior Vice President and Chief Financial Officer in January 1993. Prior to his employment with the Company, he was a self-employed financial consultant providing services to the healthcare and other industries. He was Executive Vice President of Healthcare Services of America for a portion of 1987 and was Vice President of Hospital Financial Operations at Charter Medical Corporation from 1978 to 1986.

KERRI RUPPERT, age 34. Ms. Ruppert has been employed by the Company since 1988. In October 1992, she was elected Vice President and Chief Accounting Officer and in January 1993, she was elected Secretary of the Company. She was Vice President and Controller from April 1990 to 1992 and Assistant Corporate Controller from 1988 to 1990. Prior to her employment with the Company, she served in a variety of financial management positions with Maxicare Health Plans, Inc. from 1983 to 1988.

PART II

Item 5. MARKET FOR COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

(a) The Company's Common Stock is traded on the New York Stock Exchange under the symbol CMP. The following table sets forth the range of high and low sale prices for the Common Stock for the fiscal quarters indicated:

	Price	
Fiscal Year	**High**	**Low**
1992:		
First Quarter	$3-7/8	$2-3/8
Second Quarter	3	2
Third Quarter	2-7/8	1-5/8
Fourth Quarter	2-5/8	1-3/8
1993:		
First Quarter	$1-3/4	$1-1/8
Second Quarter	2	1-1/8
Third Quarter	1-3/4	5/8
Fourth Quarter	1	1/2

(b) As of July 31, 1993, the Company had 2,271 stockholders of record.

(c) As a result of the Company's operating losses and restrictions contained in the Company's primary loan agreement, no cash dividend was declared during any quarter of fiscal 1993, 1992 or fiscal 1991. The Company does not expect to resume payment of cash dividends in the foreseeable future. See Item 7, "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" and Note 10 to the consolidated financial statements contained in this report for a description of restrictions on the payment of dividends contained in the Company's loan agreements.

Item 6. SELECTED FINANCIAL DATA.

The following tables summarize selected consolidated financial data and should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report. Effective June 1, 1990, the Company adopted the new accounting and reporting methods approved by the American Institute of Certified Public Accountants ("AICPA") in its health care industry audit guide (the "AICPA guide") dated July 15, 1990. Accordingly, provision for losses on accounts receivable is included as an expense rather than as a reduction of operating revenues beginning in fiscal 1991. Reclassifications of prior year amounts have been made to conform with the current year's presentation. See Item 7, "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" for a discussion of recent results of operations and liquidity.

	Year Ended May 31,				
	1993	1992	1991	1990	1989
	(Amounts in thousands, except per share data)				
Statement of Operations Data:					
Revenues and gains:					
Operating revenues	$51,847	$59,969	$ 84,689	$163,235	$247,538
Gain on sale of RehabCare stock, net	13,114	17,683	---	---	---
Gain on Sovran settlement, net	584	---	---	---	---
Gain on reorganization agreement	---	---	---	5,000	---
Interest income	69	336	531	1,093	747
Equity in earnings(loss) of unconsolidated affiliates	384	168	(1,289)	231	25
Other	---	---	---	508	(989)
	65,998	78,156	83,931	170,067	247,321
Costs and expenses:					
Operating expenses	50,924	38,810	65,362	100,437	127,025
General and administrative expenses	5,754	12,946	21,267	61,599	62,132
Provision for doubtful accounts	6,187	6,065	4,759	19,541	37,627
Depreciation and amortization	2,946	2,602	3,580	8,440	8,694
Loss(gain) on sale/write-down of assets	4,382	15,986	5,863	45,657	(1,363)
Interest expense	1,759	3,908	7,380	9,588	10,118
Other restructuring/non-recurring expenses	5,452	2,152	2,819	4,407	1,327
	77,404	82,469	111,030	249,669	245,560
Earnings(loss) before income taxes	(11,406)	(4,313)	(27,099)	(79,602)	1,761
Provision(benefit) for income taxes	194	249	401	(20,294)	1,259
Earnings(loss) before extraordinary item	(11,600)	(4,562)	(27,500)	(59,308)	502
Extraordinary item - gain on debenture conversion	---	---	11,465	---	---
Net earnings(loss)	$(11,600)	$(4,562)	$(16,035)	$(59,308)	$ 502
Earnings(loss) per common and common equivalent share:					
Earnings(loss) before extraordinary item	$(0.53)	$(0.21)	$(2.27)	$(5.83)	$ .05
Extraordinary item - gain on debenture conversion	---	---	.95	---	---
Net earnings(loss)	$(0.53)	$(0.21)	$(1.32)	$(5.83)	$ .05
Cash dividends per share	$ ---	$ ---	$ ---	$ ---	$ .20
Weighted average common and common equivalent shares outstanding	21,957	21,900	12,118	10,172	10,186

	As of May 31,				
	1993	1992	1991	1990	1989
Balance Sheet Data:	(Dollars in thousands)				
Working capital	$ 438	$11,901	$11,221	$ 49,832	$ 36,448
Total assets	46,968	70,422	99,084	141,592	209,520
Long-term debt	10,652	10,375	28,078	86,564	72,232
Stockholders' equity	12,951	24,441	28,976	20,214	79,194

Item 7. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

Results of Operations - Fiscal 1993 (compared with Fiscal 1992)

The Company incurred a loss of approximately $11.6 million or $0.53 per share for the fiscal year ended May 31, 1993, which was a loss of $7.0 million or $0.32 per share more than the $4.6 million or $0.21 per share loss incurred in the prior fiscal year. The fiscal 1993 fourth quarter loss of $4.3 million or $0.20 per share reflected a deterioration from the fourth quarter of the prior fiscal year by $5.0 million or $0.23 per share.

Results for fiscal 1993 were impacted by a gain of approximately $13.1 million recorded during the second quarter of the fiscal year as a result of the sale by the Company of 2,300,000 shares of its formerly wholly-owned subsidiary RehabCare. Prior to the sale the Company owned a 48% interest in RehabCare which was accounted for on the equity method. Subsequent to the sale, the Company no longer has an interest in RehabCare and no longer reports a portion of RehabCare's earnings in its statement of operations. Included in the loss for fiscal 1993 is a charge of approximately $6.7 million, attributable to restructuring the organization, of which $1.2 million was reclassified as asset writedowns during the fourth quarter. In 1993, the Company recorded pretax charges of approximately $4.4 million primarily asssociated with the write-down of property and equipment held for sale. Of this amount, $3.4 million was a result of revaluing certain underperforming assets that the Company had designated for disposition and the remaining $1.0 million was attributable to the write-down of other property and equipment to net realizable value. During fiscal 1992, the Company recorded pretax charges of approximately $16.0 million primarily associated with the write-down of property and equipment held for sale. Of this amount, approximately $9.3 million was a result of revaluing certain underperforming assets that the Company had designated for disposition. The remaining $6.7 million was attributable to the write-down to net realizable value of certain hospitals.

Operating revenues declined $8.1 million or 14% from fiscal 1992, primarily as the result of the closure of four facilities during fiscal 1993, sale of a fifth facility, the decline in both admissions and length of stay and the redesignation of facilities as continuing operations.

Operating expenses increased by approximately $12.1 million or 31%, primarily as a result of the redesignation of facilities as continuing operations, the expenses incurred in the development of psychiatric services at the company's freestanding facilities and the start-up costs associated with the development of its behavioral medicine managed care business. General and administrative expenses declined by approximately $7.2 million or 56% in fiscal 1993 primarily as a result of management's continued effort to reduce corporate overhead expenses. Interest expense was reduced by $2.1 million or 55%, primarily as the result of the paydown of senior secured debt by approximately $11.8 million with the proceeds of asset sales, the lowering of the prime interest rate, and the reduction of interest expense attributable to the Financial Security Plan (see Note 13-- "Employee Benefit Plans").

Equity in the earnings of unconsolidated affiliates improved by approximately $.2 million during fiscal 1993, primarily as a result of the termination of a joint venture from which the company reported losses of $1.1 million in fiscal 1992 (see Note 7-- "Investments in Unconsolidated Affiliates").

The Financial Accounting Standards Board ("FASB") has issued Statement 109, "Accounting for Income Taxes". The Company currently accounts for income taxes under APB 11, having elected not to adopt Statement 109 prior to its required effective date. Statement 109 will change the Company's method of accounting for income taxes from the deferred method required under APB 11 to the asset and liability method. Under the deferred method, annual income tax expense is matched with pretax accounting income by providing deferred taxes at current tax rates for timing differences between the determination of net income for financial reporting and tax purposes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. The Company presently does not believe that Statement 109 will have a significant impact on its financial statements.

Statement 109 is effective for fiscal years beginning after December 15, 1992. Statement 109 can be adopted by retroactively restating financial statements for any number of consecutive years before the effective date. In the earliest year restated, or in the year of adoption if no years are restated, the effect of initially applying this new pronouncement shall be reported as the cumulative effect of a change in accounting principle in the results of operations.

Freestanding Operations

Admissions in fiscal 1993 declined overall by 1,812 to 7,047 from 8,859 in fiscal 1992, an overall decline of 20%. Of this decline, 515 fewer admissions were attributable to facilities which were closed or under contract to be sold as of May 31, 1993, which was a decline of 15% for those facilities. The remaining facilities ("same store", i.e., those operational during both fiscal years) experienced a 16% decrease in admissions and a 21% decline in length of stay to 11.1 days, resulting in 34% fewer patient days than the prior fiscal year. The decrease in "same store" patient days was primarily due to Aurora Behavioral Health Hospital which experienced a 54% decrease in admissions and a 30% decline in length of stay which resulted in 67% fewer patient days in fiscal 1993 compared to the prior fiscal year. This decline was primarily attributable to the termination of an acute psychiatric program specializing in dissociative disorders. Patients in the dissociative disorder program traditionally have a higher acuity requiring additional care and a longer length of stay. The following table sets forth selected quarterly utilization data on a "same store" basis:

	Same Store Utilization							
	Fiscal 1993				Fiscal 1992			
	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Admissions	1,019	914	1,058	1,213	1,271	1,197	1,270	1,292
Average length of stay	10.1	10.2	11.8	12.0	13.8	14.3	14.7	13.6
Patient days	10,277	9,348	12,524	14,582	17,600	17,211	18,728	17,554
Average occupancy rate	21%	12%	15%	42%	50%	50%	54%	50%

Overall operating revenue per patient day increased by 32% to $513 in fiscal 1993 from fiscal 1992 and overall patient days declined 29% to 81,768, resulting in a decrease of approximately $2.7 million, or 6%, in operating revenues. The Company believes that the increasing role of HMOs, reduced benefits from employers and indemnity companies, a greater number of competitive beds and a shifting to outpatient programs are responsible for this decline in patient days. In response to these factors the Company accelerated the development of effective, lower cost outpatient and daycare programs in conjunction with its freestanding facilities, and shifted its marketing activities toward developing relationships and contracts with managed care and other organizations which pay for or broker such services.

The following table illustrates the revenues in outpatient and daycare programs offered by the freestanding facilities on a "same store" basis:

	Net Outpatient/Daycare Revenues (Dollars in thousands)							
	Fiscal 1993				Fiscal 1992			
	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Facilities offering	6	6	6	6	6	6	6	6
Net outpatient/daycare revenues	$1,500	$988	$1,195	$1,539	$1,571	$1,276	$1,023	$1,363
% of total "same store" net operating revenues	29%	21%	17%	18%	17%	14%	12%	16%

The Company recorded approximately $4.4 million in asset write-downs during fiscal 1993 and $16.0 million in asset write-downs during fiscal 1992 primarily related to the recognition of losses on facilities to be sold and revaluation of facilities designated for disposition. These amounts include the estimated future operating losses, selling costs and carrying costs of such facilities until disposition at an assumed future point in time. To the extent that actual costs and time required to dispose of the facilities differ from these estimates, adjustments to the amount written-down may be required. Future operating losses and carrying costs of such facilities will be charged back directly to the carrying value of the respective assets held for sale. Because chemical dependency treatment facilities are special purpose structures, their resale value is negatively affected by the oversupply of beds resulting from the diminished demand for inpatient treatment currently being experienced throughout the industry. In the first quarter of 1993, one facility previously designated for disposition was redesignated as continuing due to improved operating performance. In the second quarter of fiscal 1993, eight facilities previously designated for disposition were redesignated as continuing operations. These facilities were redesignated upon the termination of the sale/leaseback of properties to CMP Properties, Inc., a wholly-owned subsidiary. In the fourth quarter of fiscal 1993, the Company closed four facilities which are listed for sale and sold another one. Additionally, a facility closed in the fourth quarter of 1993, was sold in the first quarter of 1994. The Company currently has six facilities listed for sale, of which three were closed in fiscal 1993, and the other three in prior fiscal years. These facilities have been designated for disposition because of their weak market positions relative to competitors and limited prospects for generating an acceptable return on investment as an operating property. The Company will continue to evaluate the performance of all of these facilities in their respective markets, and, if circumstances warrant, may increase or reduce the number of facilities designated for disposition.

Contract Operations

During fiscal 1993, patient days of service under CareUnit, Inc. contracts declined by approximately 44% from 92,574 patient days to 51,524 patient days. This decline is attributable to the 7 units which were closed during fiscal 1993, a decline in length of stay and managed care intervention. Of the units closed, 3 contracts were terminated by CareUnit, Inc. for either poor operating performance or failure on the part of the contracting hospital with respect to certain contractual obligations. The remaining 4 closures were terminated by the contracting hospitals upon expiration of their term. The Company believes that these non-renewals were influenced primarily by increased competition and changes in reimbursement patterns by third-party payers. During fiscal 1993, CareUnit, Inc. opened 3 new contracts, 2 of which are for the State of Idaho. These programs provide behavioral medicine services in a residential and outpatient setting.

Units which were operational for both fiscal years experienced a 17% decline in utilization to 42,162 patient days. Since average net revenue per patient day at these units increased by $5, net inpatient operating revenues declined by 11% to $3.6 million. An additional $0.5 million was generated by units closed during the fiscal year. Outpatient revenues decreased 31% from $0.9 in fiscal 1992 to $0.6 in fiscal 1993 due to the loss of successful outpatient and day treatment components associated with closed contracts.

For units operational in both fiscal years, operating expenses decreased 13%, which more than offset the 10% decline in inpatient and outpatient operating revenues, and caused operating income at the unit level to increase 3% from fiscal 1992. Consequently, overall unit operating income decreased to $1.4 million in fiscal 1993 from $1.6 million in fiscal 1992.

Results of Operations - Fiscal 1992 (compared with Fiscal 1991)

The Company incurred a loss of approximately $4.6 million or $0.21 per share for the fiscal year ended May 31, 1992, an improvement of $11.4 million or $1.11 per share from the $16.0 million or $1.32 per share loss incurred in the prior fiscal year. Fourth quarter earnings of $0.6 million or $0.03 per share improved from the fourth quarter of the prior fiscal year by $0.3 million or $0.02 per share. Included in the earnings of the fourth quarter of the prior fiscal year was an extraordinary gain of approximately $11.5 million or $0.64 per share.

Results for fiscal 1992 were impacted by a gain of approximately $17.7 million recorded during the first quarter of the fiscal year as a result of the sale by the Company of 1,700,000 shares of its formerly wholly-owned subsidiary RehabCare. The Company retained a 48% interest in RehabCare which was accounted for on the equity method subsequent to the sale. The Company recorded pretax charges of approximately $16.0 million primarily associated with the write-down of property and equipment held for sale. Of this amount, approximately $9.3 million was a result of revaluing certain underperforming assets that the Company has designated for disposition. The remaining $6.7 million was attributable to the write-down to net realizable value of certain hospitals which were scheduled to be purchased by CMP Properties, Inc. with the proceeds from a proposed public offering of shares of this wholly-owned subsidiary. This offering was terminated by the board of directors on October 28, 1992. During fiscal 1991, the Company incurred approximately $5.9 million in charges primarily associated with the revaluation of property and equipment held for sale.

Operating revenues declined $24.7 million or 29% from fiscal 1991, primarily as a result of the elimination of RehabCare revenues from operating results subsequent to the sale of shares in that subsidiary.

Operating expenses decreased by approximately $26.6 million or 41%, and general and administrative expenses declined by approximately $8.3 million or 39% in fiscal 1992. Interest expense was reduced by 47%, primarily as a result of the paydown of senior debt by approximately $16.5 million with the proceeds of asset sales, and the full year impact of the March 1991 conversion into equity of approximately $36.5 million of the Company's convertible subordinated debentures.

Equity in the earnings of unconsolidated affiliates improved by approximately $1.4 million during fiscal 1992, primarily as a result of accounting for RehabCare's earnings on the equity method subsequent to the sale.

Liquidity and Capital Resources

The Company's current assets at May 31, 1993 amounted to approximately $19.0 million and current liabilities were approximately $18.6 million, resulting in working capital of approximately $0.4 million and a current ratio of 1:1. Included in current assets are three hospital facilities designated as property and equipment held for sale with a total carrying value of $8.3 million. The Company has sold one facilty and is seeking to sell two additional hospital facilities during fiscal 1994. Should the Company be unable to complete the sale transactions during fiscal 1994, the Company's working capital would be materially adversely affected. The Company's primary use of working capital is to fund operating losses while it seeks to restore profitability to certain of its freestanding facilities and expand its behavioral medicine managed care business. Senior secured debt totaled approximately $1.9 million at May 31, 1993, of which $1.3 million was due August 1, 1993, and the remainder on August 1, 1994. The Company has made the August 1, 1993 payment and plans to pay the remaining balance from the proceeds of asset sales during fiscal 1994.

Events of default on the senior secured notes include failure to meet current debt maturities or to maintain a fixed charge coverage ratio of (0.40):1 until October 31, 1992 (extended from June 1, 1992 by lenders), 2:1 thereafter and a current ratio of 1.25:1 until October 31, 1992 (extended from June 1, 1992 by lenders) and 2:1 thereafter and permitted liens. If these or any other events of default should occur and are not waived by the senior secured lenders, the payment of the balance of the Company's long-term debt may be accelerated and working capital would be materially adversely affected. As of May 31, 1993, the Company was not in compliance with the senior secured notes with respect to its fixed charge coverage ratio, current ratio and permitted liens but has not received any notice of default.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

Index to Consolidated Financial Statements and Financial Statement Schedules

Years Ended May 31, 1993, 1992 and 1991

000001

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Comprehensive Care Corporation:

We have audited the accompanying consolidated balance sheet of Comprehensive Care Corporation (a Delaware corporation) and subsidiaries as of May 31, 1993, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended. These consolidated financial statements and related schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and related schedules referred to below based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Comprehensive Care Corporation and subsidiaries as of May 31, 1993, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

As further discussed in Note 15, the Company is in a dispute with the Internal Revenue Service over whether certain physicians and psychologists engaged as independent contractors by the Company should have been treated as employees for payroll tax purposes and whether additional taxes are due on that basis. The outcome of this matter is uncertain at this time.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has incurred significant recurring losses from operations which raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial statement schedules V, VI and X for the year ended May 31, 1993, are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen + Co.

ARTHUR ANDERSEN & CO.

St. Louis, Missouri
September 1, 1993

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors
Comprehensive Care Corporation:

We have audited the accompanying consolidated balance sheet of Comprehensive Care Corporation and subsidiaries (the "Company") as of May 31, 1992 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the two-year period ended May 31, 1992. In connection with our audits of the consolidated financial statements, we also have audited the related financial statement schedules as listed in the accompanying index. These consolidated financial statements and related financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Comprehensive Care Corporation and subsidiaries as of May 31, 1992, and the results of their operations and their cash flows for each of the years in the two-year period ended May 31, 1992, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 15 to the consolidated financial statements, the Company is currently undergoing a payroll tax audit by the Internal Revenue Service ("IRS") for calendar years 1983 through 1991. The IRS asserted that certain physicians and psychologists engaged as independent contractors by the Company should have been treated as employees for payroll tax purposes and has issued an assessment claiming additional taxes due on that basis. Management believes that its treatment of the independent contractors is consistent with IRS guidelines and established industry practice. Management has filed a protest to the assessment and intends to defend vigorously the claims made by the IRS related to this issue. Also, as discussed in Note 15 to the consolidated financial statements, on August 15, 1991 the Company, along with others, were named in a stockholder complaint filed in District Court related to the terminated reorganization with First Hospital Corporation. Management intends to defend vigorously the claims related to this issue. The ultimate outcome of these matters cannot presently be determined. Accordingly, no provision for any liability that may result upon resolution of these matters has been recognized in the accompanying consolidated financial statements.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company incurred significant recurring losses and has a substantial portion of its senior secured debt due on November 15, 1992. The potential need for additional financing to repay debt as it comes due and finance the Company's anticipated working capital requirements during fiscal 1993 raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

KPMG Peat Marwick

KPMG Peat Marwick

St. Louis, Missouri
August 27, 1992

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

	May 31, 1993	May 31, 1992
	(Dollars in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,126	$ 1,980
Accounts and notes receivable, less allowance for doubtful accounts of $8,217 and $10,882	7,702	16,366
Property and equipment held for sale	8,254	20,424
Other current assets	1,896	5,175
Total current assets	18,978	43,945
Property and equipment, at cost	31,432	6,866
Less accumulated depreciation and amortization	(13,229)	(2,592)
Net property and equipment	18,203	4,274
Investments in unconsolidated affiliates	—	4,042
Property and equipment held for sale	7,098	15,144
Other assets	2,689	3,017
Total assets	$46,968	$70,422

LIABILITIES AND STOCKHOLDERS' EQUITY

	1993	1992
Current liabilities:		
Accounts payable and accrued liabilities	$15,737	$16,271
Short-term borrowings	—	1,266
Current maturities of long-term debt	2,137	13,738
Income taxes payable	666	769
Total current liabilities	18,540	32,044
Long-term debt, excluding current maturities	10,652	10,375
Other liabilities	4,825	3,562
Commitments and contingencies (see Note 15)		
Stockholders' equity:		
Preferred stock, $50.00 par value; authorized 60,000 shares	---	---
Common stock, $.10 par value; authorized 30,000,000 shares; issued and outstanding 21,986,916 and 21,906,916 shares	2,199	2,191
Additional paid-in capital	37,883	37,781
Accumulated deficit	(27,131)	(15,531)
Total stockholders' equity	12,951	24,441
Total liabilities and stockholders' equity	$46,968	$70,422

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

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

	Year Ended May 31,		
	1993	1992	1991
	(Dollars in thousands, except per share amounts)		
Revenues and gains:			
Operating revenues	$51,847	$59,969	$ 84,689
Gain on sale of RehabCare stock, net	13,114	17,683	---
Gain on Sovran settlement, net	584	---	---
Interest income	69	336	531
Equity in earnings(loss) of unconsolidated affiliates	384	168	(1,289)
	65,998	78,156	83,931
Costs and expenses:			
Operating expenses	50,924	38,810	65,362
General and administrative expenses	5,754	12,946	21,267
Provision for doubtful accounts	6,187	6,065	4,759
Depreciation and amortization	2,946	2,602	3,580
Loss on sale/write-down of assets	4,382	15,986	5,863
Interest expense	1,759	3,908	7,380
Other restructuring/nonrecurring expenses	5,452	2,152	2,819
	77,404	82,469	111,030
Loss before income taxes	(11,406)	(4,313)	(27,099)
Provision for income taxes	194	249	401
Loss before extraordinary item	(11,600)	(4,562)	(27,500)
Extraordinary item - gain on debenture conversion	---	---	11,465
Net loss	$(11,600)	$(4,562)	$(16,035)
Loss per share:			
Loss before extraordinary item	$(0.53)	$(0.21)	$(2.27)
Extraordinary item - gain on debenture conversion	---	---	.95
Net loss	$(0.53)	$(0.21)	$(1.32)

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

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock Shares	Treasury Stock Amount	Total Stockholders' Equity
	(Amounts in thousands)						
Balance, May 31, 1990	15,254	$1,525	$76,459	$ 5,066	(5,080)	$(62,836)	$20,214
Net loss	---	---	---	(16,035)	—	---	(16,035)
Retirement of treasury stock	(5,000)	(500)	(61,346)	---	5,000	61,846	---
Shares issued upon debenture conversion	11,667	1,167	23,630	---	---	---	24,797
Balance, May 31, 1991	21,921	2,192	38,743	(10,969)	(80)	(990)	28,976
Net loss	---	---	---	(4,562)	---	---	(4,562)
Shares issued from treasury stock	---	---	(597)	---	49	602	5
Retirement of treasury stock	(31)	(3)	(385)	---	31	388	---
Exercise of stock options	17	2	20	---	---	---	22
Balance, May 31, 1992	21,907	2,191	37,781	(15,531)	—	—	24,441
Net loss	---	---	---	(11,600)	—	---	(11,600)
Exercise of stock options	40	4	46	---	---	---	50
Issuance of shares for the purchase of Mental Health Programs, Inc.	40	4	56	---	---	—	60
Balance, May 31, 1993	21,987	$2,199	$37,883	$(27,131)	---	$ ---	$12,951

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

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended May 31,		
	1993	1992	1991
	(Dollars in thousands)		
Cash flows from operating activities:			
Net loss	$(11,600)	$(4,562)	$(16,035)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	2,946	2,602	3,580
Provision for doubtful accounts	6,187	6,065	4,759
Gain on sale of RehabCare stock, net	(13,114)	(17,683)	---
Gain on Sovran settlement, net	(584)	---	---
Loss on sale/write-down of assets	4,382	15,986	5,863
Gain on debenture conversion	---	---	(11,465)
Carrying costs incurred on property and equipment held for sale	(1,330)	(4,487)	(6,958)
Other restructuring/non-recurring expenses	5,452	---	---
Equity in loss(earnings) of unconsolidated affiliates	(384)	(168)	1,289
Decrease in refundable income taxes	---	4,650	11,750
Decrease(increase) in accounts and notes receivable	2,542	(3,554)	8,494
Decrease in accounts payable and accrued liabilities	(4,927)	(1,719)	(5,231)
Decrease in prepaid and deferred income taxes	---	---	119
Other, net	278	(6,759)	3,616
Net cash used in operating activities	(10,152)	(9,629)	(219)
Cash flows from investing activities:			
Proceeds from sale of property and equipment held for sale	3,489	4,700	10,787
Proceeds from the sale of RehabCare stock	18,825	20,553	—
Proceeds from Sovran settlement, net	584	---	—
Additions to property and equipment, net	(474)	(726)	(995)
Purchase of operating entity	(75)	(750)	---
Distributions from joint ventures	---	50	112
Net cash provided by investing activities	22,349	23,827	9,904
Cash flows from financing activities:			
Repayment of debt	(11,835)	(17,071)	(10,009)
Bank and other borrowings(repayments)	(1,266)	1,266	---
Exercise of stock options	50	22	---
Other, net	—	5	---
Net cash used in financing activities	(13,051)	(15,778)	(10,009)
Net decrease in cash and cash equivalents	(854)	(1,580)	(324)
Cash and cash equivalents at beginning of year	1,980	3,560	3,884
Cash and cash equivalents at end of year	$ 1,126	$ 1,980	$ 3,560
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 2,050	$ 4,237	$ 6,925
Income taxes	$ 338	$ 135	$ 673

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

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
May 31, 1993, 1992 and 1991

Note 1-- Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of Comprehensive Care Corporation (the "Company") and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

The Company's consolidated financial statements are presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The continuation of the Company's business is dependent upon the resolution of operating and short-term liquidity problems (see Note 2--"Operating Losses and Liquidity").

Revenue Recognition

Approximately 88% of the Company's operating revenues are received from private sources; the remainder from Medicare, Medicaid and other governmental programs during fiscal 1993 as compared to 91% in fiscal 1992. The latter are programs which provide for payments at rates generally less than established billing rates. 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.

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. Property and equipment is carried at estimated net realizable value.

Property and Equipment Held for Sale

Property and equipment held for sale represents net assets of certain freestanding facilities and other properties that the Company intends to sell, and is carried at estimated net realizable value. Net realizable value has been reduced by the estimated operating and selling costs of these facilities through their expected disposal dates.

Property and equipment held for sale, which are expected to be sold in the next fiscal year, are shown as current assets on the consolidated balance sheets. Gains and losses on facilities sold are recorded as an adjustment to the remaining property values until all facilities are sold.

Intangible Assets

Intangible assets include costs in excess of fair value of net assets of businesses purchased (goodwill), licenses, and similar rights. Costs in excess of net assets purchased are amortized over 20 to 25 years. The costs of other intangible assets are amortized over the period of benefit. The amounts in the consolidated balance sheets are net of accumulated amortization of goodwill of $536,000 and $448,000 at May 31, 1993 and 1992, 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 borrowing when there is no specific borrowing associated with the project. There was no interest capitalized during the years ended May 31, 1993 and 1992; and $175,000 was capitalized for the year ended May 31, 1991.

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 agreement. In recognition of the hospitals' long-term commitment, the Company has paid certain amounts to them. These amounts may be used by the hospitals 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.

Cash and Cash Equivalents

Cash in excess of daily requirements is invested in short-term investments with original maturities of three months or less. Such investments are deemed to be cash equivalents for purposes of the consolidated statements of cash flows. Included in cash are short-term investments of $228,000 and $627,000 at May 31, 1993 and 1992, respectively.

Income Taxes

Deferred income taxes are recognized for differences in the recognition of revenue and expense items that are reported in different years for financial reporting purposes and income tax purposes using the tax rate applicable to the year of calculation. Under the deferred method, deferred taxes are not adjusted for subsequent changes in tax rates.

The Financial Accounting Standards Board ("FASB") has issued Statement 109, "Accounting for Income Taxes". The Company currently accounts for income taxes under APB 11, having elected not to adopt Statement 109 prior to its required effective date. Statement 109 will change the Company's method of accounting for income taxes from the deferred method required under APB 11 to the asset and liability method. Under the deferred method, annual income tax expense is matched with pretax accounting income by providing deferred taxes at current tax rates for timing differences between the determination of net earnings for financial reporting and tax purposes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. The Company presently does not believe that Statement 109 will have a significant impact on its financial statements.

Statement 109 is effective for fiscal years beginning after December 15, 1992. Statement 109 can be adopted by retroactively restating financial statements for any number of consecutive years before the effective date. In the earliest year restated, or in the year of adoption if no years are restated, the effect of initially applying this new pronouncement shall be reported as the cumulative effect of a change in accounting principle in the results of operations.

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)
May 31, 1993, 1992 and 1991

Charity Care

The Company provides charity care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Corporate policy allows for charity when appropriate which must be prearranged and the patient must meet applicable federal and/or state poverty guidelines. The Company will not pursue collection of charity accounts. Charity charges foregone, based upon established rates, were less than 1% of the Company's operating revenues for fiscal 1993.

Loss Per Share

Primary and fully diluted loss per common and common equivalent share have been computed by dividing net loss by the weighted average number of common shares outstanding during the period. During fiscal 1993, 1992 and 1991, the convertible subordinated debentures had an antidilutive impact on loss per share and, accordingly, were excluded from the computation.

The weighted average number of common and common equivalent shares used to calculate loss per share was 21,957,000, 21,900,000 and 12,118,000 for the years ended May 31, 1993, 1992 and 1991, respectively.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year's presentation.

Note 2-- Operating Losses and Liquidity

The Company incurred losses before income taxes totaling approximately $11.4 million for the year ended May 31, 1993 which was principally a result of poor utilization of its freestanding facilities and behavioral medicine contracts. Included in the loss for fiscal 1993 is a charge from the first quarter of approximately $6.7 million, attributable to restructuring the organization, of which $1.2 million was reclassified as asset writedowns during the fourth quarter.

In response to these continuing losses, the Company has taken steps to bring expenses in line with revenues by reducing staff, closure and disposition of various freestanding facilities and other cost cutting measures. If utilization at particular facilities continues to deteriorate such that anticipated reductions in operating losses are not achieved, those facilities will also be considered for closure and disposition. The Company recorded approximately $4.4 million in asset write-downs during fiscal 1993 and $16.0 million in asset write-downs during fiscal 1992 primarily related to the recognition of losses on facilities to be sold and revaluation of facilities designated for disposition. These amounts include the estimated future operating losses, selling costs and carrying costs of such facilities until disposition at an assumed future point in time. To the extent that actual costs and time required to dispose of the facilities differ from these estimates, adjustments to the amount written-down may be required. Future operating losses and carrying costs of such facilities will be charged back directly to the carrying value of the respective assets held for sale. Because chemical dependency treatment facilities are special purpose structures, their resale value is negatively affected by the oversupply of beds resulting from the diminished demand for inpatient treatment currently being experienced throughout the industry. In the second quarter of 1993, the Company redesignated various facilities as continuing operations and in the fourth quarter, closed four facilities, incurring significant operating losses, which are currently being offered for sale and sold a fifth facility. At May 31, 1993, none of the Company's remaining six operating facilities are designated for disposition.

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)
May 31, 1993, 1992 and 1991

The Company's current assets at May 31, 1993 amounted to approximately $19.0 million and current liabilities were approximately $18.6 million, resulting in working capital of approximately $0.4 million and a current ratio of 1:1. Included in current assets are three hospital facilities and two other properties designated as property and equipment held for sale with a total carrying value of $8.3 million. The Company sold one facility and is seeking to sell two additional hospital facilities and two other properties during fiscal 1994. Should the Company be unable to complete the sale transactions during fiscal 1994, the Company's working capital would be materially adversely affected. The Company's primary use of working capital is to fund operating losses while it seeks to restore profitability to certain of its freestanding facilities and expand its behavioral medicine managed care business. Senior secured debt totaled approximately $1.9 million at May 31, 1993, of which $1.3 million is due August 1, 1993, and the remainder on August 1, 1994 (see Note 10-- "Long Term Debt and Short Term Borrowings"). The Company has made the installment due on August 1, 1993 and plans to pay the remaining balance from the proceeds of asset sales during fiscal 1994.

Note 3-- Acquisitions and Dispositions

During fiscal 1991, the Company sold two of its freestanding facilities, a psychiatric hospital in Brea, California and a chemical dependency hospital in St. Louis, Missouri. Additionally, in June 1991, the Company sold a chemical dependency facility in Sacramento, California. The loss on sale of these facilities totaled $0.4 million and is included in the loss on sale/write-down of assets in the consolidated statement of operations for the year ended May 31, 1991. The Company utilized the net proceeds of sale of these facilities to reduce its senior secured debt.

On July 3, 1991, RehabCare, a wholly-owned subsidiary of the Company as of May 31, 1991, and the Company completed an initial public offering of 2,500,000 shares of RehabCare common stock. Of the total shares sold to the public, 1,700,000 shares were sold by the Company and 800,000 shares were new shares issued by RehabCare. Net proceeds to the Company totaled approximately $20.6 million, of which approximately $11.3 million was used to pay a portion of the Company's senior secured debt. A gain of approximately $18 million on the sale of the RehabCare shares was recorded in the Company's consolidated statement of operations for the first quarter of fiscal 1992. The Company's remaining 48% interest (2,300,000 shares) in RehabCare was accounted for on the equity method (see Note 7-- "Investments in Unconsolidated Affiliates"). The Company sold its remaining 48% interest in RehabCare to RehabCare during fiscal 1993 and a gain of approximately $13.1 million was recorded in the Company's consolidated statement of operations for the second quarter of 1993. Net proceeds to the Company totaled $18.8 million which were used for the paydown of a portion of senior secured debt, short-term borrowings, and to fund working capital.

In November 1991, the Company sold its CareUnit Hospital of Orange which was closed in February 1991. The Company utilized the net proceeds of this sale to reduce its senior secured debt. In February 1992, the Company sold its long-term care facility in Tustin, California as an operating facility.

In December 1992, the Company purchased Mental Health Programs, Inc. based in Tampa, Florida from the former owner. The Company has changed the name to AccessCare, Inc. The terms of the purchase included a payment of $75,000, issuance of 40,000 shares of the Company's common stock, an employment agreement, a stock option agreement and the assumption of bank debt from the former owner. Both the stock option and employment agreements and the release of the former owner as guarantor of the bank debt are contingent upon the continued employment of the former owner with the Company. The Company terminated its employment agreement with the former owner on July 26, 1993. In connection with this acquisition, the Company recorded goodwill of approximately $829,000.

In October 1992, the Company's wholly-owned subsidiary, Starting Point, Inc., entered into a joint operating agreement with Century HealthCare of California to manage Newport Harbor Psychiatric Hospital, a 68-bed adolescent psychiatric facility and Starting Point, Orange County, a 70-bed adult psychiatric facility. The Company has an 80% interest in this venture. This agreement was mutually dissolved on February 28, 1993. A pretax loss of approximately $1.1 million, net of minority interest, was included in the consolidated financial statements for the year ended May 31, 1993.

On April 1, 1993, the Company sold its CareUnit Hospital of Nevada. Proceeds from the sale were utilized to reduce the Company's senior secured debt and the remainder will be used for working capital purposes.

Note 4-- Accounts and Notes Receivable

Accounts and notes receivable include current notes receivable of $215,000 and $662,000 at May 31, 1993 and 1992, respectively. The following table summarizes changes in the Company's allowance for doubtful accounts and contractual adjustments for the years ended May 31, 1993, 1992 and 1991:

	Balance at Beginning of Year	Additions Charged To: Expense	Additions Charged To: Reserve for Closed Facilities	Recoveries	Other	Balance at End of Year
	(Dollars in thousands)					
Year ended May 31, 1993 . . .	$10,882	$6,187	$ 381	$3,518	$(12,751)	$ 8,217
Year ended May 31, 1992 . . .	8,714	6,065	2,777	3,815	(10,489)	10,882
Year ended May 31, 1991 . . .	10,455	4,759	3,828	4,021	(14,349)	8,714

During fiscal 1993, the Company fully implemented its current write-off and reserve policy whereby all accounts past a certain aging category or otherwise deemed by management to be uncollectible are written-off and recorded as bad debt expense. Any recoveries are netted against expense. Other represents the effect of the write-off of accounts net of the change in the allowance for contractual adjustments.

Note 5-- Property and Equipment Held for Sale

The Company has decided to dispose of certain freestanding facilities and other assets (see Note 2-- "Operating Losses and Liquidity"). Property and equipment held for sale, consisting of land, building, equipment and other fixed assets with a historical net book value of approximately $38.2 million and $63.1 million at May 31, 1993 and 1992, respectively, is carried at estimated net realizable value of approximately $15.4 million and $35.6 million at May 31, 1993 and 1992, respectively. In fiscal 1993 and 1992, aggregate losses were recorded totaling approximately $3.7 million and $15.2 million, respectively, to reflect these assets at estimated net realizable value and are included in loss on sale/write-down of assets in the consolidated statements of operations. Operating revenues and operating expenses of the facilities designated for disposition were approximately $0.8 million and $2.1 million, respectively, for the year ended May 31, 1993, and $14.2 million and $18.7 million, respectively, for the year ended May 31, 1992.

A summary of the transactions affecting the carrying value of property and equipment held for sale is as follows:

	Year Ended May 31,		
	1993	1992	1991
	(Dollars in thousands)		
Beginning balance	$35,568	$21,496	$37,157
Designation of facilities as property and equipment held for sale	10,977	29,456	1,532
Proceeds from sale of assets	---	(4,700)	(12,371)
Carrying costs incurred during phase-out period	1,330	4,487	6,958
Loss on sale/write-down of facilities	(3,670)	(15,171)	(5,795)
Redesignation of facilities as continuing operations	(28,853)	—	(5,985)
Ending balance	$15,352	$35,568	$21,496

Property and equipment held for sale at May 31, 1992 includes certain hospitals which were proposed for inclusion in sale/leaseback transactions and were carried at estimated net realizable value totaling $27.8 million. In early fiscal 1993, the Company had expected to sell certain freestanding facilities to CMP Properties, Inc. and lease them back. The facilities expected to be sold and leased back were carried at estimated net realizable value which had been reduced for estimated selling costs for these facilities. On October 28, 1992, the board of directors of the Company terminated its plans for the public offering of shares of common stock of its wholly owned subsidiary CMP Properties, Inc. As a result, the proposed sale of hospitals to CMP Properties subject to leaseback to the Company will no longer be completed, and the properties which were to be part of the transaction and were designated as assets held for sale were reclassified during the second quarter as property and equipment. In connection with this proposed transaction, the Company advanced $1.2 million to a former consultant which was to be returned in the event the transaction was terminated. These advances are secured by the common stock of an unrelated company and are currently classified as accounts receivable.

Note 6-- Property and Equipment

Property and equipment consists of the following:

	Year Ended May 31,	
	1993	1992
	(Dollars in thousands)	
Land and improvements	$ 4,117	$ ---
Buildings and improvements	19,209	2,963
Furniture and equipment	5,866	3,440
Leasehold improvements	1,364	463
Capitalized leases	876	---
	$31,432	$6,866

Included in property and equipment are writedowns to net realizable value totaling $3,490,000 and $341,000 as of May 31, 1993 and 1992, respectively.

Note 7-- Investments in Unconsolidated Affiliates

The Company has a 50% interest in a joint venture partnership with another corporation for the purpose of operating two hospitals. Under the terms of the joint venture agreement, the Company managed Crossroads Hospital and its partner managed Woodview-Calabasas Hospital. Each of the partners in the joint venture received a management fee for the hospital it managed. The Company is currently in negotiation to dissolve this joint venture retroactive to December 1991. The Company retained the hospital it managed and its partner retained the other. The results of operations of the hospital retained have been included in the consolidated financial statements beginning January 1, 1992. Crossroads Hospital continues to be managed by the Company although it was closed and is currently subleased. Woodview-Calabasas Hospital continues to be managed by its joint-venture partner although it was closed in April, 1993.

The Company has a 50% interest in a joint venture agreement with a subsidiary of HealthOne Corporation (formerly The Health Central System). The joint venture owned and operated Golden Valley Health Center, a behavioral medicine facility located in a suburb of Minneapolis, Minnesota, which was sold in fiscal 1989. The Company serves as managing partner of the joint venture, which holds a promissory note from the purchaser of the facility in the amount of $2.5 million. The purchaser was forced into receivership in January 1992 and is in the process of dissolution. The Company does not anticipate any proceeds from this dissolution. In fiscal 1991, the Company recorded its respective loss as a result of the uncollectability of the promissory note.

As of May 31, 1993, the Company no longer had any interest in the outstanding common stock of RehabCare (a wholly-owned subsidiary prior to its initial public offering which was completed on July 3, 1991) which was previously carried on the equity method (see Note 3-- "Acquisitions and Dispositions"). Earnings related to the Company's ownership in RehabCare amounted to $384,000 and $1,224,000 for the years ended May 31, 1993 and 1992, respectively. Carrying value, cost and market value of the Company's remaining investment in RehabCare was $4.0, $3.1 and $19.6 million, respectively, at May 31, 1992. The condensed combined operating results of affiliates for fiscal 1993 and 1992 include the results of RehabCare subsequent to July 3, 1991 through the sale of the Company's remaining interest in November 1992.

The Company reported its interest in these affiliates on the equity method. The condensed combined assets and liabilities of these affiliates are set forth in the following table:

	Year Ended May 31,	
	1993	1992
	(Dollars in thousands)	
Assets:		
Current assets	$ —	$16,992
Property and equipment, net	—	1,329
Other assets	—	2,210
	$ —	$20,531
Liabilities and equity:		
Total liabilities	$ —	$ 3,523
Equity	—	17,008
	$ —	$20,531

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)
May 31, 1993, 1992 and 1991

Condensed combined operating results of affiliates are as follows:

	Year Ended May 31,		
	1993	1992	1991
	(Dollars in thousands)		
Revenues	$11,928	$47,854	$12,798
Costs and expenses:			
Operating, general and administrative	10,536	45,500	14,918
Depreciation and amortization	148	559	458
	10,684	46,059	15,376
Earnings(loss) before income taxes	1,244	1,795	(2,578)
Income taxes	443	1,360	---
Net earnings(loss)	$ 801	$ 435	$(2,578)

Note 8-- Other Assets

Other assets consist of the following:

	Year Ended May 31,	
	1993	1992
	(Dollars in thousands)	
Intangible assets, net	$1,877	$1,136
Notes receivable	---	129
Deferred contract costs, net	142	191
Other	670	1,561
	$2,689	$3,017

Note 9-- Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	Year Ended May 31,	
	1993	1992
	(Dollars in thousands)	
Accounts payable and accrued liabilities	$10,266	$10,322
Accrued salaries and wages	1,527	2,308
Accrued vacation	628	1,149
Accrued legal	1,034	268
Payable to third-party intermediaries	852	899
Deferred compensation and severance	1,430	1,325
	$15,737	$16,271

Note 10-- Long-Term Debt and Short-Term Borrowings

The Company estimates the fair value of long-term debt to approximate their carrying amounts. Long-term debt consists of the following:

	Year Ended May 31, 1993	Year Ended May 31, 1992
	(Dollars in thousands)	
Senior secured debt:		
Term loan, bearing interest at a variable rate, payable monthly (b)(e)	$ ---	$ 1,245
Revolving loan, bearing interest at a variable rate, payable monthly (b)(e)	---	3,000
Revenue bonds, bearing interest at 65% of prime, payable monthly (d)(e)	---	600
Revenue bonds, bearing interest at 90% of prime, payable quarterly (d)(e)	---	75
Senior secured notes, bearing interest at 11.4%, payable semiannually, maturing in 1995 (c)(e)	1,944	8,687
	1,944	13,607
9% to 10% notes, payable in monthly installments with maturity dates through 1995, collateralized by real and personal property having a net book value of $5,243	96	157
7.5% convertible subordinated debentures due 2010 (a)	9,538	9,538
Capital lease obligations	780	733
Bank debt, interest and principal payable in monthly installments maturing in August 1997, collateralized by the trust of the former owner (f)	408	---
Other	23	78
Total long-term debt	12,789	24,113
Less current maturities of long-term debt	2,137	13,738
Long-term debt, excluding current maturities	$10,652	$10,375

As of May 31, 1993, aggregate annual maturities of long-term debt for the next five years (in accordance with stated maturities of the respective loan agreements) are approximately $2,137 in 1994, $184 in 1995, $605 in 1996, $578 in 1997 and $496 in 1998.

In March 1992, to fund operations, the Company obtained approximately $1.3 million in short-term borrowings secured by accounts and notes receivable of CareUnit, Inc., bearing interest at 12% per annum, and due August 31, 1992. The Company paid the principal and interest with the proceeds from the sale of RehabCare stock.

The maximum amount outstanding of the revolving loan and short-term borrowings was approximately $4.2 million, $4.2 million and $3.0 million during the years ended May 31, 1993, 1992 and 1991, respectively. The average amount outstanding of such borrowings, based upon an average of month-end balances for periods when the Company had such debt outstanding, was $2.2 million, $3.2 million and $2.8 million during the years ended May 31, 1993, 1992 and 1991, respectively. Weighted average interest rates for short-term borrowings were 7.54%, 8.63% and 10.58% for the years ended May 31, 1993, 1992 and 1991, respectively.

COMPREHENSIVE CARE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)
May 31, 1993, 1992 and 1991

(a) In April 1985, the Company issued $46 million in convertible subordinated debentures. These debentures require that the Company make semi-annual interest payments in April and October at an interest rate of 7.5%. The debentures are due in 2010 but may be converted to common stock of the Company at the option of the holder at a conversion price of $25.97 per share, subject to adjustment in certain events. The debentures are also redeemable at the option of the Company in certain circumstances. Mandatory annual sinking fund payments sufficient to retire 5% of the aggregate principal amount of the debentures are required to be made on each April 15 commencing in April 1996 to and including April 15, 2009. On February 20, 1991, the Company notified holders of its debentures that it had voluntarily reduced the conversion price for converting the debentures into common stock of the Company from $25.97 per share to $3.125 per share for a limited period, pursuant to the indenture under which the debentures were issued. The reduced conversion price was in effect from March 8, 1991 through March 28, 1991. On March 29, 1991, the conversion price reverted to the previous $25.97 per share. Holders of approximately $36.5 million debentures converted their debentures into 11,667,200 shares of common stock. Accordingly, in March 1991 the Company recorded an extraordinary gain of approximately $11.5 million, which is the difference between the fair value of the stock issued and the principal amount of the debentures converted net of appropriate costs and taxes.

(b) At May 31, 1992 and 1991, the Company had a term loan and revolving loan outstanding with banks. In fiscal 1990, the maturity dates of these loans were extended under several extension agreements with the banks. Since October 1989, these loans have been collateralized by four facilities and the former corporate headquarters building in Irvine, California. See also note (e) below. On May 3, 1990, the Company entered into an amended and restated loan agreement with the banks ("New Bank Agreement") which, among other things, substantially revised the restrictive covenants of the previous bank loan agreements, granted additional security interests in certain of the Company's assets to further collateralize these borrowings and revised the maturity dates and repayment provisions of the Company's outstanding bank indebtedness. On July 27, 1990, further amendments to the New Bank Agreement were made with respect to certain restrictive covenants, certain collateralization provisions relative to certain income tax refunds and further extended the maturity of such debt to May 31, 1992. The New Bank Agreement includes various restrictive covenants related to the maintenance of minimum net worth, capital expenditures, payment of dividends and distribution of proceeds of sale of the Company's assets. The banks agreed to further extend the maturity of the debt to November 15, 1992. In September and November 1992, the Company paid $2.1 million with the proceeds from the sale of RehabCare stock. On December 2, 1992, in accordance with the New Bank Agreement, the Banks invoked the default rate of interest at prime plus 6%. On December 22, 1992, the Banks agreed to extend the maturity of the debt to March 22, 1993 provided the Company made payments of $50,000 on December 31, 1992, $50,000 on February 1, 1993, and $50,000 on March 1, 1993. The Banks later agreed to amend the extended maturity date of March 22, 1993 provided the Company paid $50,000 on April 1, 1993 and paid the remaining principal balance plus interest at the default rate on April 15, 1993. The Company made all scheduled payments. On April 5, 1993, the Company paid the remaining principal balance plus accrued interest at the default rate of interest.

(c) In July 1988, the Company and two subsidiaries of the Company issued $20 million in senior secured notes to a group of insurance companies. The notes were originally secured by three of the Company's freestanding facilities. See also note (e) below. Performance of the subsidiaries' obligations under the notes is guaranteed by the Company. The notes originally provided for the payment of interest at a fixed rate of 10.5% per annum. The notes require principal payments in five equal annual installments beginning on August 1, 1991, the first of which was prepaid in July 1990. Interest on the unpaid balance is payable semi-annually commencing February 1, 1989. On May 3, 1990, the Company entered into an amended trust indenture which amended certain restrictive covenants and collateral provisions to be consistent with the New Bank Agreement and increased the interest rate on the senior secured notes to 11.4%. Unamortized origination costs of $365,000 were expensed in fiscal 1991. On July 27, 1990, the trust indenture was further amended to be consistent with the New Bank Agreement, as amended. In July 1992, the trust indenture was further amended to extend the maturity date for the August 1, 1992 installment of principal to November 15, 1992. The Company paid $5.5 and $1.3 million with the proceeds of the sale of RehabCare stock on September 30, 1992 and November 13, 1992, respectively. The remaining balance at May 31, 1993 totaled $1.9 million, of which $1.3 million is due on August 1, 1993 and the remainder on August 1, 1994. The Company has made the August 1, 1993 payment and plans to pay the remaining balance from the proceeds of asset sales during fiscal 1994.

(d) The Company guaranteed the performance of a wholly-owned subsidiary under terms of a trust indenture pursuant to which revenue bonds were issued in principal amounts of $6 million and $2 million. The terms of the Company's guarantee required that the Company comply with certain financial covenants including minimum net worth, debt to equity ratios, current ratio and other financial covenants all as defined in the agreements. On May 3, 1990, the Company and its wholly-owned subsidiary entered into amendments to the guarantee and related agreements which amended the restrictive covenants and collateral provisions of the trust indenture to be consistent with the New Bank Agreement. On July 27, 1990, the guarantee and related agreements were further amended to be consistent with the New Bank Agreement, as amended. In connection with the May and July 1990 restructuring of the senior indebtedness, the holder of the revenue bonds entered into forbearance agreements pursuant to which the holder agreed not to exercise its rights to cause the Company to repurchase the revenue bonds, absent an event of default, until the earlier of May 31, 1992 or the date on which the bank indebtedness is repaid. The forbearance agreements were further amended, and the holder of the bonds agreed not to exercise its rights to cause the Company to repurchase the revenue bonds until the earlier of October 31, 1992, or the date on which the bank indebtedness was paid. The Company made a principal payment in June 1992 with the remaining principal balance paid from the proceeds of the sale of RehabCare stock in November 1992.

(e) On May 3, 1990, the Company entered into a Collateral Trust Agreement for the benefit of the holders of the Company's senior secured debt, that is, the banks, the insurance companies and the revenue bondholder. Under this agreement, substantially all the Company's assets not previously pledged were pledged as additional collateral to secure the senior indebtedness. Substantially all the proceeds resulting from a sale of any of the pledged assets will be used to repay senior indebtedness.

(f) On December 30, 1992, the Company assumed approximately $456,000 in bank debt with the purchase of Mental Health Programs, Inc. (see Note 3--"Acquisition and Dispositions"). The note is secured and guaranteed by the trust of the former owner of Mental Health Programs, Inc. The release of collateral and guarantee are contingent upon continued employment of the former owner with the Company. The note is payable at $8,000 per month with the balance due on August 31, 1997. Interest is at prime plus 1.5%.

Events of default on the senior secured notes include failure to meet current debt maturities or to maintain a fixed charge coverage ratio of (0.40):1 until October 31, 1992 (extended from June 1, 1992 by lenders), 2:1 thereafter and a current ratio of 1.25:1 until October 31, 1992 (extended from June 1, 1992 by lenders) and 2:1 thereafter and permitted liens. If these or any other events of default should occur and are not waived by the senior secured lenders, the payment of the balance of the Company's long-term debt may be accelerated and working capital would be materially adversely affected. As of May 31, 1993, the Company was not in compliance with the senior secured notes with respect to its fixed charge coverage ratio, current ratio and permitted liens but has not received any notice of default. Accordingly, all the debt outstanding of the senior secured notes has been classified as current.

Substantially all of the Company's senior indebtedness has been issued pursuant to agreements which include cross-default provisions. In addition, during periods when the Company is in default under its senior debt, the Company could be precluded from paying interest to the holders of its 7.5% convertible subordinated debentures. To date, the Company has made all scheduled interest payments. If such a payment default occurs and is not cured within the 30-day period provided in the trust indenture, the holders of the 7.5% convertible subordinated debentures may declare a default and the $9.5 million in principal amount of the 7.5% convertible subordinated debentures could also be accelerated.

Note 11-- Lease Commitments

The Company leases certain 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 are as follows:

	Year Ended May 31,		
	1993	1992	1991
	(Dollars in thousands)		
Minimum rentals	$1,257	$1,393	$1,554
Contingent rentals	15	59	183
Total rentals	$1,272	$1,452	$1,737

Assets under capital leases are capitalized using interest rates appropriate at the inception of each lease; contingent rents associated with capital leases in fiscal 1993, 1992 and 1991 were $60,000, $60,000 and $195,000, respectively. The net book value of capital leases at May 31, 1993 and 1992 was $580,000 and $513,000, respectively.

Future minimum payments, by year and in the aggregate, under capital leases and noncancellable operating leases with initial or remaining terms of one year or more consist of the following at May 31, 1993:

Fiscal Year	Capital Leases	Operating Leases
	(Dollars in thousands)	
1994	$ 162	$ 872
1995	162	640
1996	134	405
1997	132	296
1998	132	48
Later years	1,045	---
Total minimum lease payments	$1,767	$2,261
Less amounts representing interest	987	
Present value of net minimum lease payments	$ 780	

Note 12-- Income Taxes

Provision for income taxes consist of the following:

	Year Ended May 31,		
	1993	1992	1991
	(Dollars in thousands)		
Federal	$ ---	$139	$ ---
State	194	110	401
	$194	$249	$401

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Notes to Consolidated Financial Statements (continued)
May 31, 1993, 1992 and 1991

A reconciliation between benefit from income taxes and the amount computed by applying the statutory Federal income tax rate (34%) to loss before income taxes is as follows:

	Year Ended May 31,		
	1993	1992	1991
	(Dollars in thousands)		
Benefit from income taxes at the statutory tax rate	$(3,944)	$(1,466)	$(9,214)
State income taxes, net of federal tax benefit	128	73	136
Amortization of intangible assets	30	23	41
Tax effect of net operating loss	3,954	1,459	9,410
Alternative minimum tax expense in excess of regular tax expense	---	139	---
Other, net	26	21	28
	$ 194	$ 249	$ 401

Total benefit from income taxes differs from taxes currently payable (refundable) as a result of differences in the recognition of revenues and expenses for tax and financial reporting purposes. The sources of these differences and the tax effect of each are as follows:

	Year Ended May 31,		
	1993	1992	1991
	(Dollars in thousands)		
Excess tax over book(book over tax) depreciation	$ (50)	$ (9)	$ 857
Cash basis accounting and different reporting period by joint ventures	425	22	(142)
Equity in earnings of unconsolidated affiliates	---	416	---
Deferred compensation expense deductible on a cash basis	407	1,425	(637)
Cash basis accounting by subsidiaries	(383)	(383)	(692)
Employee benefit expenses deductible on a cash basis	339	76	467
Write-down of assets not currently deductible	(1,503)	(5,145)	(1,993)
Bad debt expense for financial reporting purposes less than (greater than) deductible for income tax purposes	243	(1,074)	398
Debt restructuring expenses currently deductible	64	177	177
Other restructuring charges not currently deductible	(1,451)	---	---
Net deferred tax not currently available for valuation	734	3,778	(4,499)
Deductible operating losses from facilities designated for sale	783	1,782	2,098
Tax versus book basis difference from sale of assets	525	(968)	4,657
Other, net	(133)	(97)	691)
	$ ---	$ ---	$ ---

The Company is subject to alternative minimum tax at a 20% rate on alternative minimum taxable income which is determined by making statutory adjustments to the Company's regular taxable income. Net operating loss carryforwards may be used to offset only 90% of the Company's alternative taxable income. The Company was subject to alternative minimum tax expense of $139,000 in 1992. This amount will be allowed as a credit carryover against regular tax in the event that regular tax expense exceeds the alternative minimum tax expense.

At May 31, 1993, the Company had net operating loss carryforwards of approximately $59 million for financial reporting purposes. For tax purposes, the Company has operating loss carryforwards of approximately $28 million which expire in 2006 through 2008. All benefits from recoverable Federal income taxes paid in prior years (tax carrybacks) were recognized as of May 31, 1990. No further tax carrybacks are available.

Note 13-- Employee Benefit Plans

The Company had a deferred compensation agreement with its former Chairman. The vested unfunded benefits at May 31, 1991 of $1,594,000 was accrued by the Company. The Company utilized an 8% discount rate in determining the present value of vested unfunded past service cost. In October 1991, the Company's former Chairman agreed to accept $1.2 million as payment in full for the Company's obligation under this plan.

The Company had deferred compensation plans ("Financial Security Plans") for its key executives and medical directors. Under provisions of these plans, participants elected to defer receipt of a portion of their compensation to future periods. Upon separation from the Company, participants received payouts of their deferred compensation balances over periods from five to fifteen years. Effective January 1, 1989, participants were not offered the opportunity to defer compensation to future periods. In June 1992, the Company terminated the plan and placed the remaining participants on 5-year payments. The consolidated balance sheet as of May 31, 1993 reflects the present value of the obligation to the participants under the plan of $1,686,000.

The Company has an Employee Savings Plan, which is a defined contribution plan qualified under Section 401(k) of the Internal Revenue Code, for the benefit of its eligible employees. All full-time and part-time employees who have attained the age of 21 and have completed six consecutive months of employment are eligible to participate in the plan. Each participant may contribute from 2% to 15% of his or her compensation to the plan subject to limitations on the highly compensated employees to ensure the plan is non-discriminatory. The Company made approximately $9,000 in contributions to the Plan in fiscal 1993. The Company did not make any matching contributions to the plan in fiscal years 1992 and 1991.

Note 14-- Stockholders' Equity

The Company is authorized to issue 60,000 shares of preferred stock with a par value of $50 per share. No preferred shares have been issued.

The Company has a 1988 Incentive Stock Option Plan and a 1988 Nonstatutory Stock Option Plan (the "1988 Plans"). Options granted under the 1988 Incentive Stock Option Plan are intended to qualify as incentive stock options ("ISOs") under Section 422 of the Internal Revenue Code. In fiscal 1992, the 1988 Incentive Stock Option Plan and 1988 Nonstatutory Stock Option Plan were amended to increase the total number of shares reserved for issuance under the plans and to expand the class of eligible persons under the nonstatutory plan to include advisors and consultants. Options granted under the 1988 Nonstatutory Stock Option Plan do not qualify as ISOs. The maximum number of shares subject to option are 1,500,000 and 400,000 for the ISOs and nonstatutory options, respectively. During fiscal 1991, certain options were granted at $1.25 per share, some of which were in consideration for cancellation of options previously granted in fiscal 1990 at $3.00 per share. The following table sets forth the activity related to ISOs for the years ended May 31, 1993, 1992 and 1991:

	Number of Shares	Option Price Per Share	Option Price Aggregate (In thousands)
Balance, May 31, 1990	331,602	$3.00-8.125	$1,017
Options canceled in fiscal 1991	(10,000)	$3.00	(30)
Options issued or regranted in fiscal 1991	285,000	$1.25	356
Options forfeited in fiscal 1991	(174,102)	$3.00-8.125	(543)
Balance, May 31, 1991	432,500	$1.25-3.00	800
Options exercised in fiscal 1992	(17,334)	$1.25	(22)
Options canceled in fiscal 1992	(42,500)	$2.125	(90)
Options issued or regranted in fiscal 1992	492,500	$2.125-3.38	1,057
Options forfeited in fiscal 1992	(100,000)	$1.25-3.00	(283)
Balance, May 31, 1992	765,166	$1.25-3.38	$1,462
Options forfeited in fiscal 1993	(130,000)	$1.25-3.38	(283)
Balance, May 31, 1993	635,166	$1.25-3.00	$1,179

Options under the 1988 Plans to purchase 464,123 shares and 381,416 shares were exercisable as of May 31, 1993 and 1992, respectively.

The following table sets forth the activity related to nonstatutory options for the years ended May 31, 1993, 1992 and 1991:

	Number of Shares	Option Price Per Share	Option Price Aggregate (In thousands)
Balance, May 31, 1990	90,251	$2.56-14.13	$903
Options issued or regranted in fiscal 1991	200,000	$1.25	250
Options forfeited in fiscal 1991	(90,251)	$2.56-14.13	(903)
Balance, May 31, 1991	200,000	$1.25	250
Options issued or regranted in fiscal 1992	120,000	$1.25	150
Balance, May 31, 1992	320,000	$1.25	400
Options exercised in fiscal 1993	(40,000)	$1.25	(50)
Balance, May 31, 1993	280,000	$1.25	$350

Nonstatutory options to purchase 280,000 and 320,000 shares were exercisable as of May 31, 1993 and 1992, respectively.

The per share exercise price of options issued under the plans is determined by the Board of Directors, but in no event is the option exercise price so determined less than the then fair market value (as defined in the plans) of the shares at the date of grant. In the case of an ISO, if, on the date of the grant of such option, the optionee is a restricted stockholder (as defined in the plans), the option exercise price cannot be less than 110% of the fair market value of the shares on the date of the grant.

Options vest and become exercisable at such times and in such installments as the Board of Directors provides for in the individual option agreement, except that an option granted to a director may not be exercised until the expiration of one year from the date such option is granted. Subject to the limitation with respect to the vesting of options granted to directors, the Board of Directors may in its sole discretion accelerate the time at which an option or installment thereof may be exercised.

In fiscal 1991, options not under any plan were issued to the Company's former President and Chief Executive Officer as an inducement essential to his entering an employment contract with the Company. Options for 230,000 shares were granted at an exercise price of $1.25 per share. These options are currently exercisable and expire on October 31, 1993. In July 1992, options not under any plan were issued to the former Vice Chairman. Options for 1,000,000 shares were granted at an exercise price ranging from $1.50 to $3.00. These options were exercisable 25 percent at grant date and each year thereafter. Options for 250,000 shares are currently exercisable at $1.50 and expire in February 1995. The remaining 750,000 options were forfeited. In December 1992, options not under any plan were issued to the former owner of Mental Health Programs, Inc., as an inducement essential to the purchase of Mental Health Programs, Inc. (see Note 3-- "Acquisitions and Dispositions"). Options for 100,000 shares were granted at an exercise price ranging from $1.50 to $3.00. These options are exercisable 25 percent after one year from the grant date and each year thereafter and were contingent upon the continued employment with the Company. In July 1993, the Company terminated the employment agreement, and as a result, the 100,000 options were forfeited. In February 1993, options not under any plan were issued to the Company's Chief Financial Officer. Options for 500,000 shares were granted at an exercise price ranging from $1.00 to $2.00. These options become exercisable 25 percent after one year from the grant date and each year thereafter.

On April 19, 1988, the Company declared a dividend of one common share purchase right ("Right") for each share of common stock outstanding at May 6, 1988. Each Right entitles the holder to purchase one share of common stock at a price of $30 per share, subject to certain anti-dilution adjustments. The Rights are not exercisable and are transferable only with the common stock until the earlier of ten days following a public announcement that a person has acquired ownership of 25% or more of the Company's common stock or the commencement or announcement of a tender or exchange offer, the consummation of which would result in the ownership by a person of 30% or more of the Company's common stock. In the event that a person acquires 25% or more of the Company's common stock or if the Company is the surviving corporation in a merger and its common stock is not changed or exchanged, each holder of a Right, other than the 25% stockholder (whose Rights will be void), will thereafter have the right to receive on exercise that number of shares of common stock having a market value of two times the exercise price of the Right. If the Company is acquired in a merger or more than 50% of its assets are sold, proper provision shall be made so that each Right holder shall have the right to receive or exercise, at the then current exercise price of the Right, that number of shares of common stock of the acquiring company that at the time of the transaction would have a market value of two times the exercise price of the Right. The Rights are redeemable at a price of $.02 per Right at any time prior to ten days after a person has acquired 25% or more of the Company's common stock.

Note 15-- Commitments and Contingencies

On March 23, 1990 three stockholder class action complaints were consolidated in the United States District Court for the Eastern District of Virginia against the Company, the directors of the Company and others (Himler et al vs. First Hospital Corporation et al, Case No. 89-763-N) alleging violations of the federal securities laws, common law fraud, breach of fiduciary duty and other claims as a result of the terminated reorganization with First Hospital Corporation. In June 1990, the Company and the Company's directors entered into an agreement to settle the consolidated stockholder class actions. On August 3, 1990, the District Court denied the plaintiffs' motion for the class certification and on December 10, 1991 denied plaintiffs' request to approve the settlement. The case was voluntarily dismissed May 6, 1992, with prejudice, and plaintiffs appealed the denial of class certification. The appeal was argued in March 1993 and in April 1993 the Fourth Circuit Court dismissed the plaintiffs' appeal. While it is possible that plaintiffs may attempt to ask the Fourth Circuit Court for reconsideration, it is management's belief that plaintiffs will not pursue this lawsuit any further.

On August 15, 1991, a complaint was filed in the United States District Court for the District of Oregon by George B. Newman and JGN Corporation against the Company, certain directors of the Company, Dr. Ronald I. Dozoretz, First Hospital Corporation, and Prudential-Bache Securities, Inc. (Case No. 91-759-JO). Three other plaintiffs joined in the action in October 1991. The plaintiffs allege violations of Oregon and federal securities laws and negligence against all defendants, violations of racketeering laws against Prudential-Bache, common law fraud against all defendants except the Company, breaches of fiduciary duty against the director defendants, conspiracy to and breach of fiduciary duty against First Hospital Corporation and Dr. Dozoretz. In July 1993, the Company and the plaintiffs entered into a settlement agreement providing for the release of the Company from all claims by the plaintiffs conditioned upon the payment by the Company of $710,000 by October 18, 1993. In addition, the Company and First Hospital Corporation have entered into an agreement whereby the Company has determined not to file any claim against First Hospital Corporation on any matter related to the failed merger. Similarly, First Hospital Corporation has determined not to pursue further claim against the Company for any matter related to the failed merger.

On October 30, 1992, the Company filed a complaint in the United States District Court for the Eastern District of Missouri against RehabCare seeking damages for violations by RehabCare of the securities laws of the United States, for common law fraud and for breach of contract (Case No. 4-92CV002194-SNL). The Company seeks relief of damages in the lost benefit of certain stockholder appreciation rights in an amount in excess of $3.6 million and punitive damages. On May 18, 1993, the District Court denied a motion for summary judgement filed by RehabCare. On June 16, 1993, RehabCare filed a counter claim seeking a declaratory judgement with respect to the rights of both parties under the stock redemption agreement, an injunction enjoining the Company from taking action under stock redemption or restated shareholders agreements and damages. The Company has filed a motion with the court to strike RehabCare's request for damages for attorneys fees and costs on the grounds that such relief is not permitted by law nor authorized by the agreements between the parties. This case has been scheduled for trial on May 9, 1994. Management believes that the Company's allegations are with merit and intends to vigorously pursue their suit. Management further believes that even should RehabCare prevail at trial on their request for such attorneys fees and costs, such fees and costs would not materially affect the financial statements of the Company.

The Company is currently undergoing a payroll tax audit by the Internal Revenue Service ("IRS") for calendar years 1983 through 1991. The IRS agent conducting the audit has asserted that certain physicians and psychologists and other staff engaged as independent contractors by the Company should have been treated as employees for payroll tax purposes. On April 8, 1991, the Company received a proposed assessment related to this assertion claiming additional taxes and penalties due totaling approximately $19.4 million for calendar years 1983 through 1988. The Company has filed a protest with the IRS and intends to defend vigorously any claims made by the IRS related to this issue. While management believes the Company has strong arguments to support its treatment of the independent contractors to whom substantially all of the assessment relates, management is unable to predict the ultimate outcome of the IRS audit. A reserve has been established with respect to this matter to cover expenses the Company expects to incur. The Company and RehabCare, in May 1991, entered into a Tax Sharing Agreement providing for the Company to indemnify RehabCare for any claims of income or payroll taxes due for all periods through February 28, 1991.

The federal income tax returns of the Company for its fiscal years ended 1984 and 1987 through 1991, are under examination by the IRS. The Company recently received a 30-day letter from the IRS in which the IRS proposes to assess additional income taxes in the aggregate amount of $12.3 million. The Company has received an indication from the IRS that the 30-day letter might be modified or withdrawn. In the event that the IRS does not withdraw not withdraw the 30-day letter, the Company intends to file a protest and to vigorously contest the proposed additional taxes before the Appeals Office of the IRS. Management believes that should the event of an additional tax assessment occur, the Company would apply its net operating losses against such assessment to the extent provided by law.

From time to time, the Company and its subsidiaries are also parties and their property is subject to ordinary routine litigation incidental to their business. In some pending cases, claims exceed insurance policy limits and the Company or a subsidiary may have exposure to liability that is not covered by insurance. Management believes that the outcome of lawsuits will not have a material adverse impact on the Company's financial statements.

Note 16-- Event Subsequent to the Balance Sheet Date

On July 1, 1993, the Company sold the CareUnit Hospital of Albuquerque. Proceeds from this transaction were used to repay a portion of senior secured debt, and the remainder will be used for working capital purposes.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Previously reported on Form 8-K dated November 9, 1992 and June 11, 1993.

PART III

Item 10 and 11. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY AND EXECUTIVE COMPENSATION.

The Company expects to file its definitive proxy statement no later than 120 days after the end of the fiscal year with the Securities and Exchange Commission. The information set forth therein under "Election of Directors" and "Executive Compensation" is incorporated herein by reference. Executive Officers of Comprehensive Care Corporation and principal subsidiaries are listed on page 13 of this Form 10-K.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information required is set forth under the caption "Principal Stockholders" and in the proxy statement for the 1993 annual meeting of shareholders and is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information required is set forth under the caption "Election of Directors" in the proxy statement for the 1993 annual meeting of shareholders and is incorporated herein by reference.

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 Public Accountants
Independent Auditors' Report
Consolidated Balance Sheets, May 31, 1993 and 1992
Consolidated Statements of Operations, Years Ended May 31, 1993, 1992 and 1991
Consolidated Statements of Stockholders' Equity, Years Ended May 31, 1993, 1992 and 1991
Consolidated Statements of Cash Flows, Years Ended May 31, 1993, 1992 and 1991
Notes to Consolidated Financial Statements

2. **Financial Statement Schedules**

V. Property and Equipment
VI. Accumulated Depreciation and Amortization of Property and Equipment
X. Supplementary Statements of Operations Information

Other schedules are omitted, as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

3. **Exhibits**

Exhibit Number	**Description and Reference**
3.1	Restated Certificate of Incorporation (2)
3.2	Restated Bylaws as amended October 9, 1990 (7)
4.1	Indenture dated April 25, 1985 between the Company and Bank of America, NT&SA, relating to Convertible Subordinated Debentures (1)
4.2	Trust Indenture dated as of July 1, 1988 among the Company, Starting Point Incorporated, CareUnit Hospital of Ohio, Inc., and Security Pacific National Bank, relating to Senior Secured Notes (4)
4.3	Rights Agreement dated as of April 19, 1988 between the Company and Security Pacific National Bank (3)
4.4	First Amendment to Trust Indenture dated as of April 30, 1990 among the Company, Starting Point Incorporated, CareUnit Hospital of Ohio, Inc. and Security Pacific National Bank, relating to Senior Secured Notes (5)
4.5	Second Amendment to Trust Indenture dated as of July 27, 1990 among the Company, Starting Point Incorporated, CareUnit Hospital of Ohio, Inc. and Security Pacific National Bank, relating to Senior Secured Notes (5)
10.1	Standard form of CareUnit Contract (4)
10.2	Standard form of CarePsychCenter Contract (4)
10.3	Form of Individual Death Benefit Agreement (5)*
10.4	Financial Security Plan for executive management and medical directors (5)*
10.5	Form of Stock Option Agreement (4)*
10.6	Form of Indemnity Agreement (4)*
10.7	Second Amended and Restated Loan Agreement dated as of May 3, 1990 among the Company, certain of its subsidiaries, Union Bank, Southeast Bank, N.A., and The Boatmen's National Bank of St. Louis (5)

Exhibits (continued)

Exhibit Number	Description and Reference
10.8	First Amendment to Guaranty Agreement dated as of May 3, 1990 between the Company and Southeast Bank, N.A., relating to the Coral Springs Bonds (5)
10.9	Collateral Trust Agreement dated as of May 3, 1990 among the Company, certain of its subsidiaries, Seattle-First National Bank, Union Bank, Security Pacific National Bank and Southeast Bank, N.A. (5)
10.10	First Amendment to Guaranty Agreement dated as of May 3, 1990 among the Company, CareUnit of Florida, Inc. and Southeast Bank, N.A. relating to the Jacksonville Beach Bonds (5)
10.11	Forbearance Agreement dated as of May 3, 1990 between CareUnit of Florida, Inc. and Southeast Bank, N.A., relating to the Coral Springs Bonds (5)
10.12	Forbearance Agreement dated as of May 3, 1990 between CareUnit of Florida, Inc. and Southeast Bank, N.A., relating to the Jacksonville Beach Bonds (5)
10.13	First Amendment to Contingent Purchase Agreement dated as of May 3, 1990 between CareUnit of Florida, Inc. and Southeast Bank, N.A., relating to the Coral Springs Bonds (5)
10.14	Executive Employment Agreement dated as of June 1, 1990 between the Company and Stephen J. Toth (5)*
10.15	Cash Collateral Agreement dated as of July 27, 1990 among the Company, certain of its subsidiaries and Union Bank (5)
10.16	Amendment No. 1 to Second Amended and Restated Loan Agreement dated as of July 27, 1990 among the Company, certain of its subsidiaries, Union Bank, Southeast Bank, N.A. and The Boatmen's National Bank of St. Louis (5)
10.17	Amendment No. 1 to Collateral Trust Agreement dated as of July 27, 1990 among the Company, certain of its subsidiaries, Seattle-First National Bank, Union Bank, Security Pacific National Bank and Southeast Bank, N.A. (5)
10.18	Cash Collateral Agreement dated as of July 27, 1990 among the Company, CareUnit of Florida, Inc. and Southeast Bank, N.A., relating to the Coral Springs and Jacksonville Beach Bonds (5)
10.19	Second Amendment to Guaranty Agreement dated as of July 27, 1990 between the Company and Southeast Bank, N.A., relating to the Coral Springs Bonds (5)
10.20	Second Amendment to Guaranty Agreement dated as of July 27, 1990 among the Company, CareUnit of Florida, Inc. and Southeast Bank, N.A., relating to the Jacksonville Beach Bonds (5)
10.21	Cash Collateral Agreement dated as of July 27, 1990 among the Company, Starting Point Incorporated, CareUnit Hospital of Ohio, Inc., certain of the Company's subsidiaries and Security Pacific National Bank (5)
10.22	First Amendment to Forbearance Agreement dated as of July 27, 1990 between CareUnit of Florida, Inc. and Southeast Bank, N.A., relating to the Coral Springs Bonds (5)
10.23	First Amendment to Forbearance Agreement dated as of July 27, 1990 between CareUnit of Florida, Inc. and Southeast Bank, N.A., relating to the Jacksonville Beach Bonds (5)
10.24	Second Amendment to Contingent Purchase Agreement dated as of July 27, 1990 between CareUnit of Florida, Inc. and Southeast Bank, N.A., relating to the Coral Springs Bonds (5)
10.25	Amendment to Executive Employment Agreement dated as of August 17, 1990 between the Company and Stephen J. Toth (5)*
10.26	Executive Employees' Trust Agreement dated as of August 17, 1990 between the Company and Mark Twain Bank (5)*
10.27	Contingent Transition Agreement dated as of August 20, 1990 among the Company and certain individual stockholders and certain other entities (5)
10.28	The Company's Employees Savings Plan as amended and restated as of June 1, 1991 (7)*
10.29	Employment Agreement dated as of September 1, 1990 between the Company and James P. Carmany (7)*

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Exhibits (continued)

Exhibit Number	Description and Reference
10.30	Employment Agreement dated as of September 1, 1990 between the Company and Donald G. Simpson (7)*
10.31	Agreement between the Company and Livingston & Company dated April 1, 1991 (7)
10.32	Shareholder Agreement dated as of May 8, 1991 between the Company and RehabCare Corporation (6)
10.33	Tax Sharing Agreement dated as of May 8, 1991 between the Company and RehabCare Corporation (6)
10.34	Employment Agreement dated August 1, 1991 between the Company and Richard C. Peters (7).*
10.35	Agreement between Company and Livingston & Co. dated December 21, 1991 (8).
10.36	Option Agreement with Richard W. Wolfe dated July 1, 1992 (8).*
10.37	Redemption Agreement dated September 1, 1992 between RehabCare and Company (8).
10.38	Executive Employment Agreement dated as of October 1, 1991 between the Company and Robert H. Osburn (8).*
10.39	Amendment Number Three to Second Amended and Restated Loan Agreement dated July 15, 1992 between the Company and Union Bank (8).
10.40	1988 Incentive Stock Option and 1988 Nonstatutory Stock Option Plans, as amended (8).*
10.41	Third Amendment to Forbearance Agreement dated July 31, 1992 between the Company and First Union National Bank of Florida, the successor in interest to the Federal Deposit Insurance Corporation as receiver of Southeast Bank, N.A. (8).
10.42	Waiver of debt covenants of the Trust Indenture dated May 29, 1992 between the Company and Northwestern National Life Insurance Company et al (8).
10.43	Deferral Agreement dated July 31, 1992 between the Company et al and Security Pacific National Bank as Trustee for Northwestern National Life Insurance Company et al (8).
10.44	Employment Agreement dated October 1, 1992 between the Company and Richard C. Peters (9).*
10.45	Amendment to the Executive Employment Agreement dated as of July 23, 1992 between the Company and Stephen J. Toth (9).*
10.46	Employment Agreement dated December 30, 1992 between the Company and Walter E. Afield, M.D. (filed herewith).*
10.47	Non-qualified Option Agreement dated December 30, 1992 between the Company and Walter E. Afield, M.D. (filed herewith).*
11	Computation of Earnings(Loss) Per Share (filed herewith).
22	List of the Company's subsidiaries (filed herewith).
24.1	Consent of Arthur Andersen & Co. (filed herewith).
24.2	Consent of KPMG Peat Marwick (filed herewith).

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* Management contract or compensatory plan or arrangement with one or more directors or executive officers.

(1) Filed as an exhibit to the Company's Form S-3 Registration Statement No. 2-97160.

(2) Filed as an exhibit to the Company's Form 10-Q for the quarter ended August 31, 1986.

(3) Filed as an exhibit to the Company's Form 8-K dated May 4, 1988.

(4) Filed as an exhibit to the Company's Form 10-K for the fiscal year ended May 31, 1988.

(5) Filed as an exhibit to the Company's Form 10-K for the fiscal year ended May 31, 1990.

(6) Filed as an exhibit to RehabCare Corporation's Form S-1 Registration Statement No. 33-40467.

(7) Filed as an exhibit to the Company's Form 10-K for the fiscal year ended May 31, 1991.

(8) Filed as an exhibit to the Company's Form 10-K for the fiscal year ended May 31, 1992

(9) Filed as an exhibit to the Company's Form 10-Q for the quarter ended August 31, 1992.

(b) Reports on Form 8-K

No reports on Form 8-K have been filed during the fourth quarter of fiscal 1993, however, report on Form 8-K was filed on June 11, 1993 to report the engagement of independent auditors.

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, September 10, 1993.

COMPREHENSIVE CARE CORPORATION

By ___________________
Richard C. Peters
President
and Chief Executive Officer

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 Company and in the capacities and on the dates so indicated.

Signature	Title	Date
Richard C. Peters	President and Chief Executive Officer (Principal Executive Officer)	September 10, 1993
Fred C. Follmer	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	September 10, 1993
Kerri Ruppert	Vice President, Secretary and Chief Accounting Officer (Principal Accounting Officer)	September 10, 1993
Harvey G. Felsen	Director	September 10, 1993
Howard S. Groth	Director	September 10, 1993
Charles Moore	Director	September 10, 1993

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Harvey G. Felsen	Director	September 10, 1993
Howard S. Groth	Director	September 10, 1993
Charles Moore Charles Moore	Director	September 10, 1993

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W. James Nicol	Director	September 10, 1993
Michael K. O'Toole	Director	September 10, 1993
Norman L. Perry	Director	September 10, 1993

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W. James Nicol	Director	September 10, 1993
Michael K. O'Toole	Director	September 10, 1993
Norman L. Perry	Director	September 10, 1993

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W. James Nicol	Director	September 10, 1993
Michael K. O'Toole	Director	September 10, 1993
Norman L. Perry	Director	September 10, 1993

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COMPREHENSIVE CARE CORPORATION

Schedule V - Property and Equipment

Years Ended May 31, 1993, 1992 and 1991

	Balance at Beginning of Period	Additions at Cost	Sales and Retirements	Reclassi-fications(1)	Balance at End of Period
			(Dollars in thousands)		
Year ended May 31, 1993					
Land and improvements	$ ---	$ ---	$ ---	$ 4,117	$ 4,117
Buildings and improvements	2,963	203	2,731	18,774	19,209
Furniture and equipment	3,440	360	3,201	5,267	5,866
Leasehold improvements	463	136	24	789	1,364
Capitalized leases	---	67	---	809	876
	$ 6,866	$766	$5,956	$29,756	$31,432
Year ended May 31, 1992					
Land and improvements	$ 7,525	$ ---	$ ---	$ (7,525)	$ ---
Buildings and improvements	25,309	337	56	(22,627)	2,963
Furniture and equipment	11,463	403	2,330	(6,096)	3,440
Leasehold improvements	829	11	377	---	463
Capitalized leases	745	---	745	---	---
	$45,871	$751	$3,508	$(36,248)	$ 6,866
Year ended May 31, 1991					
Land and improvements	$ 6,671	$ ---	$ ---	$ 854	$ 7,525
Buildings and improvements	19,872	478	20	4,979	25,309
Furniture and equipment	12,581	456	2,153	579	11,463
Leasehold improvements	883	61	52	(63)	829
Capitalized leases	1,894	---	1,149	---	745
	$41,901	$995	$3,374	$ 6,349	$45,871

(1) Includes amounts which have been reclassified from(to) property and equipment held for sale.

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COMPREHENSIVE CARE CORPORATION

Schedule VI - Accumulated Depreciation and Amortization of Property and Equipment

Years Ended May 31, 1993, 1992 and 1991

(Dollars in thousands)

	Balance at Beginning of Period	Additions at Cost	Sales and Retirements	Reclassifications(1)	Balance at End of Period
Year ended May 31, 1993					
Buildings and improvements	$ 871	$1,371	$ 869	$6,297	$ 7,670
Furniture and equipment	1,338	926	922	3,129	4,471
Leasehold improvements	383	82	22	349	792
Capitalized leases	---	---	---	296	296
	$ 2,592	$2,379	$1,813	$10,071	$13,229
Year ended May 31, 1992					
Buildings and improvements	$ 1,664	$1,268	$ 8	$(2,053)	$ 871
Furniture and equipment	8,579	982	1,246	(6,977)	1,338
Leasehold improvements	528	66	308	97	383
Capitalized leases	612	52	631	(33)	---
	$11,383	$2,368	$2,193	$(8,966)	$ 2,592
Year ended May 31, 1991					
Buildings and improvements	$ 223	$1,230	$ 2	$ 213	$ 1,664
Furniture and equipment	7,569	1,190	568	388	8,579
Leasehold improvements	424	172	50	(18)	528
Capitalized leases	585	27	---	---	612
	$ 8,801	$2,619	$ 620	$ 583	$11,383

(1) Includes amounts which have been reclassified from(to) property and equipment held for sale.

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COMPREHENSIVE CARE CORPORATION

Schedule X - Supplementary Statements of Operations Information

Years Ended May 31, 1993, 1992 and 1991

	1993	1992	1991
	(Dollars in thousands)		
Advertising costs	$2,238	$2,557	$3,255

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COMPREHENSIVE CARE CORPORATION

EXHIBIT INDEX

FISCAL YEAR ENDED MAY 31, 1993

Disclosure
Information Services, Inc.

5161 River Road
Bethesda, MD 20816
(301) 951-1300

EXHIBITS FOLLOW

COMPREHENSIVE CARE CORPORATION

Exhibits to the Form 10-K

Dated May 31, 1993

EXHIBIT 10.46

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made as of the 30th day of December, 1992, between THE MENTAL HEALTH PROGRAMS CORPORATION, a Florida corporation (the "Company") and WALTER E. AFIELD, M.D., a resident of the State of Florida (the "Employee").

W I T N E S S E T H:

WHEREAS, the Employee founded The Mental Health Programs Corporation, a Florida corporation ("MHP") on December 18, 1986;

WHEREAS, the Employee has been the President of MHP since MHP's inception;

WHEREAS, pursuant to that certain Stock Purchase Agreement dated as of December 30, 1992 by and between Comprehensive Care Corporation ("CompCare") and the Employee and attached hereto as Exhibit A, CompCare purchased from the Employee, as sole shareholder of MHP, shares representing all of the issued and outstanding capital stock of MHP;

WHEREAS, the Company desires to enter into an employment agreement with the Employee to memorialize the terms and conditions of the Employee's employment relationship, and the Employee desires to serve as an employee of the Company in the position and on the terms and conditions hereinafter set forth;

WHEREAS, the Company is engaged in and throughout the Area (as defined herein) in the Business (as defined herein) of the Company;

WHEREAS, in the course of the Employee's employment, the Employee has obtained and will gain knowledge of the business, affairs, finances, management, marketing programs and philosophy, clients and methods of operation of the Company; and

WHEREAS, the Company would suffer irreparable harm if the Employee were to use such knowledge, information and business acumen other than as set forth herein.

NOW, THEREFORE, in consideration of the Company's employment of the Employee, the above premises and the mutual covenants and agreements hereinafter set forth, the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions

(a) "Affiliate" or "Affiliated", used to indicate a relationship to a specified person, firm, corporation, partnership, association or entity, means any person, firm, corporation, partnership, association or entity that, directly or indirectly or through one or more intermediaries, controls, is controlled by or is under common control with such person, firm, corporation, partnership, association or entity.

(b) "Applicable Period" means the period of the Employee's employment hereunder and six months (6) after the termination of Employee's employment hereunder.

(c) "Area" means the (i) an area enclosed within a circle, the diameter of which is thirty (30) miles and the Center of which is 2203 N. Lois Avenue, Tampa Florida 33607, and the (ii) the Standard Metropolitan Area (the "SMA") for any other city in which the Business of the Company is or shall be conducted while Employee is employed by the Company.

(d) "Business of the Company" means the business of (i) providing mental health utilization review services for insurance companies, third-party administrators, self-insured employers, unions, trusts and other entities, and other payors providing benefits under health insurance policies, Worker's Compensation programs and other types of medical benefit plans, and (ii) establishing, operating and maintaining networks of mental health care services in various metropolitan areas across the United States.

(e) "Cause" means that the Employee shall have, in the judgment of a majority of the Board of Directors of the Company: (i) be convicted of a felony, or be convicted of an act of fraud, embezzlement or theft in connection with his duties with the Company or in the course of his employment with the Company; (ii) willfully caused significant damage to property of the Company; (iii) been convicted of a criminal offense (whether a misdemeanor, involving acts of dishonesty or moral turpitude, or a felony) the nature of which renders him unfit to serve in his present capacity with the Company; or (iv) breaches one of his covenants under this Agreement in any material respect including, without limitation, Sections 5, 6, 7 and 8 and hereof. In addition, "Cause" shall mean the Employee's willful disobedience to the Board of Directors of the Company, gross negligence or wilful malfeasance, which disobedience, gross negligence or willful malfeasance shall have (in the judgment of a majority of the Board of Directors of the Company) resulted in a material adverse effect to the Company.

(f) "Competing Business" means any business or enterprise which is engaged in a business that is the same or essentially the same as the Business of the Company; provided, however, that the practice of medicine, counseling, providing expert medical assistance in legal proceedings, the operation of a medical practice or investment in an entity which conducts a medical practice shall not be deemed to be a "Competing Business".

(g) "Constructive Termination" means (i) the reduction of the level of the Employee's responsibilities in any material respect, (ii) any substantial demotion in position, (iii) the failure by the Company to pay the Employee the compensation or provide the other benefits as set forth herein, or (iv) the relocation of the Employee's place of employment to a location more than thirty (30) miles from the location of the Employee's existing office, except for required travel on the Company's business to an extent substantially consistent with his normal business travel obligations.

(h) "Disability" means an inability to perform substantially the Employee's duties and responsibilities to the Company by reason of a physical or mental disability for a continuous period of at least six months or at such earlier time as the Employee submits satisfactory evidence that the Employee has such a disability which gives rise to such an inability.

(i) "Proprietary Information" means all information with respect to the Company or the Business of the Company which (A) derives economic value, actual or potential, from not being generally known to or readily ascertainable by other persons (outside the Company) who can obtain economic value from its disclosure or use, and (B) is the subject of efforts by the Company that are reasonable under the circumstances to maintain its secrecy or confidentiality. Nothing in the foregoing sentence shall be deemed to require that all documents of the Company be stamped "confidential" or maintained in locked or otherwise secured files within the Company in order to maintain secrecy or confidentiality. Assuming the foregoing criteria are met, Proprietary Information includes, but is not limited to, finances, actual or potential customers and suppliers, marketing information, and all physical embodiments of the foregoing. Proprietary Information will not include any information or data that is already known to the Employee at the time of disclosure to the Employee, or which before being divulged by the Employee (i) has become generally known to the public through no wrongful act of the Employee; (ii) has been rightfully received by the Employee from a third party without restriction on disclosure and without breach of an obligation of confidentiality running either directly or indirectly to the Company; (iii) has been approved for release and released to the general public by written authorization of the Company; (iv) has been disclosed pursuant to a requirement of a governmental agency or of law without similar restrictions or other protections against public disclosure, or has been required to be disclosed by operation of law; provided, however, that the Employee must first have given written notice of such required disclosure to the Company, and reasonably cooperate with the Company in the event the Company seeks to obtain a protective order requiring that the Proprietary Information so disclosed be used only for the purposes for which disclosure is required, and taken reasonable steps to allow the Company to seek to protect the confidentiality of the information required to be disclosed; (v) is independently developed by the Employee without use, directly or indirectly, of Proprietary Information and does not relate to the Business of the Company; or (vi) is furnished to a non-Affiliated third party by the Company without restrictions on the third party's right to disclose the information. Proprietary Information may include information disclosed to the Company by a third party which the Company is obliged to treat as confidential.

(j) "Termination Date" means the date which corresponds to the first to occur of (i) the death or Disability of the Employee, (ii) the last day of the Term as provided in Section 4(a) below or (iii) the date set forth in a notice given pursuant to Section 4(b) below.

2. Terms and Conditions of Employment.

(a) Employment. The Company employs the Employee as its Vice President, Medical Affairs for a period of five (5) years from the date of this Agreement, and the Employee accepts such employment with the Company subject to the terms and conditions hereof. The Employee shall report to the President of the Company and shall have such authority and responsibilities and perform such duties as shall reasonably be assigned to the Employee from time to time by the President of the Company or as are provided in the By-Laws of the Company; provided, that in no event shall such duties, authority or responsibilities be inconsistent in any substantial respect with those assigned to the Employee on the date hereof.

(b) No Exclusivity. Throughout the Employee's employment hereunder, the Employee shall devote sufficient time, energy and skill during regular business hours to the performance of the duties of the Employee's employment (reasonable vacations and reasonable absences due to illness excepted), shall faithfully and industriously perform such duties, and shall diligently follow and implement all management policies and decisions of the Company. The parties acknowledge that the Employee's responsibilities do not constitute the practice of medicine, the Employee shall be entitled to conduct his existing practice of medicine separate and apart from his employment hereunder, and the duties assigned to the Employee hereunder shall not unreasonably restrict such practice of medicine.

3. Compensation.

(a) Salary. In consideration for the Employee's services hereunder, the Company shall pay to the Employee a salary in the amount of $150,000 per year. Such base compensation amount shall be paid in accordance with the normal payroll payment practices of the Company and shall be subject to such deductions and withholdings as are required by law, from time to time in effect.

(b) Benefits. In addition to the salary payable to the Employee hereunder, the Employee shall be entitled to such benefits as generally may be made available to executive employees of the Company from time to time, including, without limitation, paid vacation in accordance with the standard practices of the Company. Nothing contained herein, shall, however, preclude the Employee and his spouse and eligible dependents to the extent of available coverage from any present or future incentive compensation, bonus, profit sharing, stock option, stock purchase, pension, retirement, medical or insurance plan or program of the Company as and to the extent granted or approved and determined by the Board of Directors of the Company or pursuant to the terms of any such plan; provided, however, that nothing contained herein shall require the establishment or continuation of any such plan or program. In addition to any other benefits made available to the Employee, the Company shall provide the Employee with disability insurance so in the event the Employee becomes disabled and is thereafter unable to continue his employment, disability insurance would pay the remainder of the total consideration due the Employee.

(c) Expenses. The Employee shall be entitled to be reimbursed in accordance with the policies of the Company, as adopted and amended from time to time and disclosed in writing to the Employee, for all reasonable and necessary expenses incurred by the Employee in connection with the performance of the Employee's duties of employment hereunder; provided, however, the Employee shall, as a condition of such reimbursement, submit verification of the nature and amount of such expenses in accordance with the reimbursement policies from time to time adopted by the Company.

(d) Indemnity. The Employee shall be indemnified to the fullest extent provided by law and the By-Laws of the Company, and the Company shall provide indemnification to the Employee to the same extent such indemnification is made available to other executive officers and directors of the Company.

4. Term, Termination and Termination Payments.

(a) Term. The term of this Agreement and of the Employee's continuation of employment by the Company shall commence as of the date of this Agreement and shall continue for a period of five (5) years after such date (the "Term"), unless earlier terminated as provided herein.

(b) Termination. This Agreement and the Employee's employment by the Company hereunder may only be terminated (i) by mutual agreement of the

Employee and the Company; (ii) by the Employee in the event of Constructive Termination, subject to compliance with Section 4(e) below; (iii) by the Employee upon not less than thirty (30) days prior notice to the Company; (iv) by the Company, without Cause, but subject to compliance with Section 4(e) below or (v) by the Company immediately for Cause. This Agreement shall terminate immediately upon the death or the Disability of the Employee; provided that obligations of the Company to make payments pursuant to Section 4(e) shall survive such termination, and the obligations of the Employee under Sections 5, 6 and 7 hereof shall survive such termination. Notice of termination by either the Company or the Employee shall be given in writing and shall specify the basis for termination and the effective date of termination.

(c) Effect of Termination. Upon termination of this Agreement and the Employee's employment hereunder, the Company shall have no further obligation to the Employee or the Employee's estate with respect to this Agreement, except for payment of salary and bonus amounts, if any, accrued pursuant to Section 3(a) or 3(b) hereof and unpaid at the Termination Date, payment of any amount necessary to maintain in force the disability protection specified in Section 3(b) hereof, and the termination payments, if any, set forth in Section 4(e) below, subject to compliance with Sections 5, 6, 7 and 8 below. Nothing contained herein shall limit or impinge any other rights or remedies of the Company or the Employee under any other agreement or plan to which the Employee is a party or of which the Employee is a beneficiary. In the event Employee's employment with the Company ends before the completion of the Term for any reason (other than death, Disability, Constructive Termination, or by the Company without Cause), the Employee shall forfeit all unpaid consideration payable to him pursuant to the terms of the Stock Purchase Agreement.

(d) Survival. The covenants of the Employee in Sections 5, 6, 7 and 8 shall survive the termination of this Agreement and the Employee's employment hereunder and shall not be extinguished thereby.

(e) Additional Payments. Notwithstanding anything in this Agreement to the contrary, the Employee and the Company agree as follows:

(i) Termination Payments. If the Employee's employment shall be terminated by the Company pursuant to Section 4(b)(ii) above or by the Company pursuant to Section 4(b)(iv) above, or by reason of the Employee's death or Disability, the Company shall continue to pay the Employee or his successor in interest all compensation set forth in Section 3 above provided that; if the Employee shall breach any of his obligations under Sections 5, 6, 7 and 8 below, the Employee shall forfeit, and shall have no further right or claim to any payments arising under this subparagraph (e). Payment shall be made in accordance with normal payroll payment practices of the Company and subject to deductions and withholdings as required by law.

(ii) Tax Reimbursement Payment. In the event that any amount or benefit paid or distributed to the Employee by the Company pursuant to Section 4(e)(i) above (collectively, the "Covered Payments"), is or becomes subject to the tax (the "Excise Tax") imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") or any similar tax that may hereafter be imposed, the Company shall pay to the Employee at the time specified in clause (v) below an additional amount (the "Tax Reimbursement Payment") such that the net amount retained by the Employee with respect to such Covered Payments, after reduction for any Excise Tax on the Covered Payments and any federal, state and local income tax and Excise Tax on the Tax Reimbursement Payment provided for by this Agreement, but before reduction for any federal, state or local income or employment tax on such Covered Payments, shall be equal to the sum of (a) the amount of the Covered Payments, and (b) an amount equal to the product of any deductions disallowed for federal, state or local income tax purposes because of the inclusion of the Tax Reimbursement Payment in the Employee's adjusted gross income and the highest applicable marginal rate of federal, state or local income taxation, respectively, for the calendar year in which the Tax Reimbursement Payment is to be made.

(iii) Determining Excise Tax. For purposes of determining whether any of the Covered Payments will be subject to the Excise Tax and the amount of such Excise Tax,

(A) such Covered Payments will be treated as "parachute payments" within the meaning of Section 280G of the Code, and all "parachute payments" in excess of the "base amount" (as defined under Section 280G(b)(3) of the Code) shall be treated as subject to the Excise Tax, unless, and except to the extent that, in the opinion of the Company's independent certified public accountants (the "Accountants"), such Covered Payments (in whole or in part) either do not constitute "parachute payments" or represent reasonable compensation for services actually rendered (within the meaning of Section 280G(4) of the Code) in excess of the "base amount", or such "parachute payments" are otherwise not subject to such Excise Tax, and

(B) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accountants in accordance with the principles of Section 280G of the Code.

(iv) Applicable Tax Rates and Deductions. For purposes of determining the amount of the Tax Reimbursement Payment, the Employee shall be deemed:

(A) to pay federal income taxes at the highest applicable marginal rate of federal income taxation for the calendar year in which the Tax Reimbursement Payment is to be made,

(B) to pay any applicable state and local income taxes at the highest applicable marginal rate of taxation for the calendar year in which the Tax Reimbursement Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from the deduction of such state or local taxes if paid in such year (determined without regard to limitations on deductions based upon the amount of the Employee's adjusted gross income), and

(C) to have otherwise allowable deductions for federal, state and local income tax purposes at least equal to those disallowed because of the inclusion of the Tax Reimbursement Payment in the Employee's adjusted gross income.

(v) Subsequent Events. In the event that the Excise Tax is subsequently determined by the Accountants to be less than the amount taken into account hereunder in calculating the Tax Reimbursement Payment made, the Employee shall repay to the Company, at the time that the amount of such reduction in the Excise Tax is finally determined, the portion of such prior Tax Reimbursement Payment that would not have been paid if such Excise Tax had been applied in initially calculating such Tax Reimbursement Payment, plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. Notwithstanding the foregoing, in the event any portion of the Tax Reimbursement Payment to be refunded to the Company has been paid to any federal, state or local tax authority, repayment thereof shall not be required until actual refund or credit of such portion has been made to the Employee, and interest payable to the Company shall not exceed interest received or credited to the Employee by such tax authority for the period it held such portion. The Employee and the Company shall mutually agree upon the course of action to be pursued (and the method of allocating the expenses thereof) if the Employee's good faith claim for refund or credit is denied.

In the event that the Excise Tax is later determined by the Accountants to exceed the amount taken into account hereunder at the time the Tax Reimbursement Payment is made (including, but not limited to, by reason of any payment the existence or amount of which cannot be determined at the time of the Tax Reimbursement Payment), the Company shall make an additional Tax Reimbursement Payment in respect of such excess (which Tax Reimbursement Payment shall include any interest or penalty payable with respect to such excess) at the time that the amount of such excess is finally determined.

(vi) Date of Payment. The Tax Reimbursement Payment (or portion thereof) provided for in clause (ii) above shall be paid to the Employee not later than ten (10) business days following the payment of the Covered Payments; provided, however, that if the amount of such Tax Reimbursement Payment (or portion thereof) cannot be finally determined on or before the date on which payment is due, the Company shall pay to the Employee by such date an amount estimated in good faith by the Accountants to be the minimum amount of such Tax Reimbursement Payment (which Tax Reimbursement Payment shall include interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined, but in no event later than forty-five (45) calendar days after payment of the related Covered Payment. In the event that the amount of the estimated Tax Reimbursement Payment exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Employee, payable on the fifth business day after written demand by the Corporation for payment (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

5. Agreement Not to Compete. The Employee agrees that commencing on the date hereof and continuing through the Applicable Period he will not (except on behalf of or with the prior written consent of the Company, which consent may be withheld in Company's sole discretion), within the Area, either directly or indirectly, on the Employee's own behalf, or in the service or on behalf of others, engage in or provide managerial, supervisory, sales, financial, administrative or consulting services or assistance to, or own (other than ownership of less than five percent of the outstanding voting securities of an entity whose voting securities are traded on a

national securities exchange or quoted on the National Association of Securities Dealers, Inc. Automated Quotation System) a beneficial interest in any Competing Business. For purposes of this Section 5, the Employee acknowledges and agrees that the Business of the Company is conducted in the Area, and the Employee further agrees that, after the Company determines that the Business of the Company is conducted in an area not encompassed within the current definition of Area, the Employee and the Company will amend the definition of Area to include such additional area.

6. Agreement Not to Solicit Customers. The Employee agrees that commencing on the date hereof and continuing through the Applicable Period, he will not, without the prior written consent of the Company, which consent may be withheld in Company's sole discretion, within the Area, either directly or indirectly, on the Employee's own behalf or in the service or on behalf of others, solicit, divert or appropriate, or attempt to solicit, divert or appropriate, to any Competing Business any customer or client who was serviced by or under the supervision of the Employee during the period from and after the date hereof until termination of such employment.

7. Agreement Not to Solicit Employees. The Employee agrees that commencing on the date hereof and continuing through the Applicable Period, he will not, either directly or indirectly, on the Employee's own behalf or in the service or on behalf of others, solicit, divert or hire, or attempt to solicit, divert or hire for a Competing Business, any person employed by the Company, whether or not such employee is a full-time employee or a temporary employee of the Company and whether or not such employment is pursuant to written agreement and whether or not such employment is for a determined period or is at will.

8. Ownership and Protection of Proprietary Information.

(a) Confidentiality. All Proprietary Information and all physical embodiments thereof received or developed by the Employee while employed by the Company are confidential to and are and will remain the sole and exclusive property of the Company. Except to the extent necessary to perform the duties assigned to him by the Company, the Employee will hold such Proprietary Information in trust and strictest confidence, and will not use, reproduce, distribute, disclose or otherwise disseminate the Proprietary Information or any physical embodiments thereof and may in no event take any action causing or fail to take the action necessary in order to prevent, any Proprietary Information disclosed to or developed by the Employee to lose its character or cease to qualify as Proprietary Information.

(b) Return of Company Property. Upon request by the Company, and in any event upon termination of the employment of the Employee with the Company for any reason, as a prior condition to receiving any final compensation (including any payments pursuant to 4(e)) hereunder, the Employee will promptly deliver to the Company all property belonging to the Company, including, without limitation, all Proprietary Information (and all embodiments thereof) then in the Employee's custody, control or possession.

(c) Survival. The covenants of confidentiality set forth herein will apply on and after the date hereof to any Proprietary Information disclosed by the Company or developed by the Employee prior to or after the date hereof and will continue and be maintained by the Employee (i) with respect to Proprietary Information consisting of other than scientific or technical data, during the Applicable Period, or such longer period as may be provided or permitted by law, after the termination of employment of the Employee, and (ii) with respect to the Proprietary Information consisting of scientific or technical data, at any and all times following the termination of this Agreement.

9. Severability, Etc.

(a) Enforcement. The Employee agrees that the covenants and agreements contained in Sections 5, 6, 7 and 8 of this Agreement, and the subsections of those Sections, are of the essence of this Agreement; that each of such covenants is reasonable and necessary to protect and preserve the interests and properties of the Company and the Business of the Company; that the Company is engaged in and throughout the Area in the Business of the Company; that irreparable loss and damage will be suffered by the Company should the Employee breach any of such covenants and agreements; that each of such covenants and agreements is separate, distinct and severable not only from the other of such covenants and agreements but also from the other and remaining provisions of this Agreement; that the unenforceability of any such covenant or agreement shall not affect the validity or enforceability of any other such covenant or agreements or any other provision or provisions of this Agreement; and that, in addition to other remedies available to it, the Company shall be entitled to specific performance of this Agreement and to both temporary and permanent injunctions to prevent a breach or contemplated breach by the Employee of any of such covenants or agreements.

(b) Tolling. In the event that the Employee shall breach any of the covenants set forth in Sections 5, 6, 7 and 8, the running of the period of the restriction set forth in such Section shall be tolled during the continuation of any such breach by the Employee, and the running of the period of such restrictions shall commence only upon compliance by the Employee with the terms of the applicable Section.

10. No Set-Off. The existence of any claim, demand, action or cause of action by the Employee against the Company, or any Affiliate of the Company, whether predicated upon this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any of its rights hereunder.

The existence of any claim, demand, action or cause of action by the Company against the Employee, whether predicated upon this Agreement or otherwise, shall not constitute a defense to the enforcement by the Employee of any of his rights hereunder; provided, however, that nothing in this Section 10 shall affect the right of the Company to discontinue payments to the Employee under Section 4(e) if the Employee should breach any of his obligations under Sections 5, 6, 7 and 8 hereof.

11. Notice. All notices, requests, demands and other communications required hereunder shall be in writing and shall be deemed to have been duly given upon receipt if delivered or if mailed, by United States certified or registered mail, prepaid to the party to which the same is directed at the following addresses (or at such addresses as shall be given in writing by the parties to one another):

If to the Company:	The Mental Health Programs Corporation 2203 N. Lois Avenue Suite 1150 Tampa, Florida 33607 Attn: President
If to the Employee:	Walter E. Afield, M.D. 2203 N. Lois Avenue, Suite 1100 Tampa, FL 33607

12. Miscellaneous.

(a) Assignment. This Agreement may be assigned (including any assignment by merger, consolidation, transfer of assets, operation of law or otherwise) by the Company and shall inure to the benefit of and shall be binding upon the successors and assigns of the Company. Neither this Agreement nor any right of the Employee hereunder may be assigned by the Employee (or the Employee's legal representative, if applicable), nor may the Employee in any way delegate the performance of the Employee's covenants and obligations hereunder.

(b) Waiver. The waiver by either the Company or the Employee of any breach of this Agreement by the Company or the Employee (as the case may be) shall not be effective unless in writing, and no such waiver shall constitute the waiver of the same or another breach on a subsequent occasion.

(c) Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Florida.

(d) Entire Agreement. This Agreement embodies the entire agreement of the parties hereto relating to the subject matter hereof and supersedes all oral agreements, and to the extent inconsistent with the terms hereof, all other written agreements.

(e) Amendment. This Agreement may not be modified, amended, supplemented or terminated except by a written instrument executed by the parties hereto.

(f) Severability. Each of the covenants and agreements hereinabove contained shall be deemed separate, severable and independent covenants, and in the event that any covenant shall be declared invalid by any court of competent jurisdiction, such invalidity shall not in any manner affect or impair the validity or enforceability of any other part or provision of such covenant or of any other covenant contained herein.

(g) Captions and Section Headings. Except as set forth in Section 1 hereof, captions and section headings used herein are for convenience only and are not a part of this Agreement and shall not be used in construing it.

IN WITNESS WHEREOF, the Company and the Employee have each executed, sealed and delivered this Agreement as of the date first shown above.

COMPANY:

THE MENTAL HEALTH PROGRAMS CORPORATION

By: ______________________

Title: President

[CORPORATE SEAL]

EMPLOYEE:

Walter E. Afield (SEAL)

Walter E. Afield, M.D

22110878

EXHIBIT 10.47

NON-QUALIFIED STOCK OPTION AGREEMENT

THIS AGREEMENT is made as of the Date of Grant, by and between COMPREHENSIVE CARE CORPORATION, a corporation organized and existing under the laws of the State of Delaware (the "Company"), and Optionee and includes the Terms and Conditions attached hereto.

Upon and subject to the Terms and Conditions attached hereto and incorporated herein by reference, the Company hereby grants as of the Date of Grant to Optionee an option (the "Option"), as described below, to purchase the Option Shares.

A. Optionee: Walter E. Afield, M.D. ("Dr. Afield" or "Optionee")

B. Type of Option: Non-Qualified

C. Date of Grant: December 30, 1992

D. Option Shares: A total of 100,000 shares of the Company's $0.10 par value common stock ("Option Shares").

E. Exercise Period and Price per Share: The Exercise Period shall commence on the dates shown on the following schedule (each of such dates being a "Vesting Date"), as to the applicable number of the Option Shares shown in the following schedule, and shall end at 5:00 p.m. Eastern Time on December 30, 2002:

Vesting Date	Option Shares Exercisable	Exercise Price Per Share
December 30, 1993	25,000	$ 1.50
December 30, 1994	25,000	2.00
December 30, 1995	25,000	2.50
December 30, 1996	25,000	3.00

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and sealed this Agreement as of the Date of Grant set forth above.

COMPREHENSIVE CARE CORPORATION

By: ____________________
Name: RICHARD C. [illegible]
Title: SR VICE PRESIDENT

(SEAL)

WALTER E. AFIELD, M.D., OPTIONEE

____

TERMS AND CONDITIONS
TO NON-QUALIFIED STOCK OPTION AGREEMENT
BETWEEN
COMPREHENSIVE CARE CORPORATION (THE "COMPANY")
AND
WALTER E. AFIELD, M.D. ("OPTIONEE")
DATED DECEMBER 30, 1992

1. Term and Exercise of Option

(a) Optionee shall have the right to exercise the Option from time to time during the Exercise Period in accordance with these Terms and Conditions.

(b) This Option may be exercised by the delivery to the Company, at its principal place of business in Chesterfield, Missouri, of (i) signed written notice specifying the number of Option Shares with respect to which it is being exercised and signed by the person exercising the Option; (ii) payment of the Exercise Price payable with respect to such Option Shares pursuant to Section 2 below; and (iii) payment of any tax withholding liability pursuant to Section 3 below. Upon receipt of such notice and payment in full, the Company shall cause a certificate to be issued representing the Option Shares so purchased from time to time.

(c) Optionee, or the personal representative of Optionee pursuant to Section 4(c) below, shall have no rights as a stockholder with respect to any Option Shares until an Option is exercised and the Exercise Price is paid with respect to the Option Shares then purchased. No adjustment shall be made for any dividends or distributions or other rights on or with respect to any Option Shares purchased pursuant to this Option from time to time for which the record date is prior to the exercise date hereof as to any such Option Shares purchased pursuant to this Option, except as provided in Section 6 below.

2. Exercise Price. The Optionee must pay the Company the Exercise Price for the Option Shares acquired pursuant to this Option's exercise:

(a) in cash;

(b) by delivering to the Company Common Stock of the Company owned by the Optionee and with a fair market value on the Exercise Date either equal to the Exercise Price or in combination with cash equal to the Exercise Price; or

(c) by a broker, dealer or other "creditor" (as defined by Regulation T issued by the Board of Governors of the Federal Reserve System) delivering the Exercise Price in cash to the Company after the Optionee has delivered to the Company instructions acceptable to the Company regarding the delivery of the Option Shares being exercised to such broker, dealer or other creditor.

3. Withholding.

(a) On the Exercise Date, the Optionee must pay the Company the amount of the federal, state and local tax withholding obligation arising from the exercise of the Option:

(i) in cash at least equal to the minimum withholding amount;

(ii) by the Optionee making a written and irrevocable election in a form acceptable to the Company (the "Tax Withholding Election") authorizing the Company to withhold from the number of Option Shares to be issued upon exercise, the whole number of shares of Common Stock having a fair market value equal to the amount of tax withholding specified in such Tax Withholding Election;

(iii) if the Exercise Price is paid in the manner described in Section 2(c) above, by the Optionee making a Tax Withholding Election to have a broker, dealer or other "creditor" (as defined by Regulation T issued by the Board of Governors of the Federal Reserve System) deliver to the Company cash in the amount of tax withholding due after the Optionee has delivered to the Company instructions acceptable to the Company regarding the delivery of the number of Option Shares being exercised to such broker, dealer or other creditor; and/or

(iv) by the Optionee making a Tax Withholding Election and delivering to the Company before the date on which the amount of tax required to be withheld is determined (the "Tax Date") a whole number of shares of Common Stock the Optionee has owned at least six months and with a fair market value equal to the amount of withholding tax liability.

(b) A Tax Withholding Election may be made only if:

(i) the Optionee delivers to the Company a completed written Tax Withholding Election no later than the Tax Date;

(ii) the Tax Withholding Election is irrevocable; and

(iii) the Optionee delivers to the Company an irrevocable Tax Withholding Election at least six months prior to the Tax Date, if the Optionee is considered by the Company to be subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "1934 Act").

If the Company has not been continuously subject to the reporting requirements of, or has not filed all reports and statements required to be filed pursuant to, Section 13 of the 1934 Act for at least the twelve months before the date of exercise, the Optionee may not exercise the Option to which a Tax Withholding Election relates.

4. Termination of Option.

(a) If at any time during the Exercise Period the Optionee does not continue to be an employee of the Company or any parent or subsidiary of the Company for any reason except for termination without Cause due to Optionee's death, disability, Constructive Termination (as defined in the Employment Agreement described in subsection (b) below) or the Company's termination of the Optionee without Cause (as defined in the aforesaid Employment Agreement), the Option or portion thereof that is unexercised at the time of such change in status shall terminate immediately. The Option is non-transferable (except as provided in subsection (c) below with respect to the Optionee's death) and during the Optionee's lifetime may only be exercised by Optionee.

(b) If at any time during the Exercise Period the Optionee breaches the Employment Agreement entered into between the Company and the Optionee on December 30, 1992 in substantially the form attached hereto and made a part of this Agreement, the Option or portion thereof that is unexercised at the time of such breach shall terminate immediately.

(c) If Optionee dies at any time during the Exercise Period, the Option or portion thereof that is unexercised at the date of Optionee's death may be exercised by a permitted transferee pursuant to Section 5 below; provided, however, such exercise shall be made by the earlier to occur of one year after the date of death or the end of the Exercise Period.

(d) The Option or any unexercised portion thereof shall immediately terminate upon any breach of Section 13 below.

5. Restrictions on Transfers of Option. The Option is non-transferable, except by will or the laws of descent and distribution. During the Optionee's lifetime, the Option may be exercised only by Optionee, and after his death, only by his personal representative or legatees. Every permitted transferee will be subject to the Terms and Conditions and this Agreement as if he were the Optionee.

6. Change in Capitalization. In the event Company shall (a) pay a dividend or make a distribution with respect to the Option Shares payable in shares of Common Stock of the Company, or (b) subdivide its outstanding shares of Common Stock, or (c) combine the outstanding shares of Common Stock into a smaller number of shares or (d) issue by reclassification of any shares of Common Stock in exchange for any shares of Common Stock of the Company, or (e) effect any other transaction of similar effect, the number of Option Shares which Optionee would otherwise have received shall be adjusted so that Optionee shall be entitled to receive the number of Option Shares which Optionee would have owned immediately following such action had such Option Shares been delivered immediately prior thereto. Adjustment made pursuant to the above provision shall become effective immediately prior to the record date in the case of a dividend or distribution, and shall become effective immediately after the effective date in the case of a sub-division, combination, reclassification

or transaction of similar effect. Adjustments shall be made without change in the total price applicable to the Option and with a corresponding adjustment in the Exercise Price. No fractional shares shall be issued or optioned in making the foregoing adjustments.

The creation or increase of authorized stock or securities of any class of the Company or the issuance by the Company of stock or securities of any other class of the Company or of securities convertible into such stock or securities shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of the Option Shares. The grant of this Option shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or consolidate, or to dissolve, liquidate, sell, or transfer all or part of its business or assets all of which may be done without the consent of or waiver by Optionee.

A dissolution or liquidation of the Company shall cause this Option to terminate as to any portion thereof not exercised as of the effective date of the dissolution or liquidation.

7. <u>Covenants and Representations of Optionee</u>. Subject to Company's covenants in Section 8 hereafter, Optionee represents, warrants, covenants and agrees with the Company as follows:

(a) Optionee understands and agrees that the Option Shares may be issued and sold to Optionee without registration under any state law relating to the registration of securities for sale, and in such event will be issued and sold in reliance on exemptions from registration under appropriate state laws;

(b) Optionee understands that he may not sell or otherwise transfer the Option Shares other than pursuant to: (i) an effective registration under applicable state securities laws or in a transaction which is otherwise in compliance with such laws; (ii) an effective registration under the Securities Act of 1933, as amended (the "1933 Act"), or in a transaction otherwise in compliance with the 1933 Act; and (iii) evidence satisfactory to the Company of compliance with the securities laws of all applicable jurisdictions. The Company shall be entitled to rely upon an opinion of counsel satisfactory to it with respect to compliance with the foregoing laws;

(c) A legend indicating that the Option Shares have not been registered under the applicable state or federal securities laws and referring to any applicable restrictions on transferability and sale of the Option Shares may be placed on the certificate or certificates delivered to Optionee and any transfer agent of the Company may be instructed to require compliance therewith; and

(d) The agreements, representations, warranties and covenants made by Optionee herein extend to and apply to all of the Option Shares issued to Optionee from time to time pursuant to this Option. Acceptance by Optionee of the certificate(s) representing such Option Shares shall constitute a confirmation by Optionee that all such agreements, representations, warranties and covenants made herein shall be true and correct at such time.

8. Covenants of Company. Company will use its diligent efforts to file a Registration Statement on Form S-8 ("Form S-8") with the Securities and Exchange Commission (the "Commission"), on or before January 31, 1993, to register the Option Shares to be issued to the Seller hereunder under the Securities Act of 1933, as amended (the "Act"), and Company covenants to cause the Form S-8 to be declared effective by the Commission as quickly as possible and to take all necessary steps to ensure the continued effectiveness of the Form S-8 until such time as Company's counsel provides a legal opinion that the Option Shares, when issued, can be publicly sold by Optionee without registration under the Act. Once a Form S-8 has been declared effective by the Commission, Company will issue to Seller, upon exercise of the Stock Option, certificates for the Option Shares which will contain no restrictive legend.

9. Governing Laws. Delaware law governs the Agreement of which these Terms and Conditions are a part; however, subject to Company's covenants in Section 8, the Optionee may not exercise the Option unless the Company determines the exercise is in compliance with exemptions under applicable state and federal securities laws.

10. Successors. The Agreement of which these Terms and Conditions are a part shall be binding upon and inure to the benefit of the heirs, legal representatives, successors and permitted assigns of the parties.

11. Notice. Except as otherwise specified herein, all notices and other communications under the Agreement of which these Terms and Conditions are a part shall be deemed given upon receipt and shall be in writing and shall be deemed to have been given if personally delivered or if sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the proposed recipient at the last known address of the recipient. Any party may designate any other address to which notices shall be sent by giving notice of the address to the other parties in the same manner as provided herein.

12. Severability. In the event that any one or more of the provisions or portion thereof contained in the Agreement of which these Terms and Conditions are a part shall for any reason be held to be invalid, illegal or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of the Agreement and the Agreement shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

13. Entire Agreement. Subject to the terms and conditions of the Company's Stock Option Plan and the within referenced Employment Agreement, which are incorporated herein by reference, the Agreement expresses the entire understanding and agreement of the parties hereto with respect to the subject matter hereof. The Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

14. Violation. Any transfer, pledge, sale, assignment, or hypothecation of the Option or any of the Option Shares prior to their issuance shall be a violation of the terms of the Agreement, shall be void and without effect.

15. Headings. Section headings used herein are for convenience of reference only and shall not be considered in construing the Agreement.

16. Specific Performance. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of the Agreement, the party or parties who are thereby aggrieved shall have the right to specific performance and injunction in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative.

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EXHIBIT 11

COMPREHENSIVE CARE CORPORATION

Exhibit 11 - Calculation of Earnings(Loss) Per Share

	Year Ended May 31,				
	1993	1992	1991	1990	1989
	(Amounts in thousands, except per share data)				
Primary and Fully Diluted:					
Earnings(loss) applicable to common stock:					
Earnings(loss) before extraordinary item (a) . . .	$(11,600)	$(4,562)	$(27,500)	$(59,308)	$502
Extraordinary item - gain on debenture conversion . . .	---	---	11,465	---	---
Net earnings(loss) . . .	$(11,600)	$(4,562)	$(16,035)	$(59,308)	$502
Average number of shares of common stock and common stock equivalents outstanding . . .	21,957	21,900	12,118	10,172	10,106
Additional average number of shares outstanding assuming conversion of 7.5% convertible subordinated debentures (c) . . .	---	---	---	---	---
Dilutive effect of stock options after application of treasury stock method (b) . . .	---	---	---	---	80
Average number of shares of common stock and common stock equivalents . . .	21,957	21,900	12,118	10,172	10,186
Earnings(loss) per common and common equivalent share:					
Earnings(loss) before extraordinary item . . .	$(0.53)	$(0.21)	$(2.27)	$(5.83)	$0.05
Extraordinary item - gain on debenture conversion . . .	---	---	.95	---	---
Net earnings(loss) . . .	$(0.53)	$(0.21)	$(1.32)	$(5.83)	$0.05
(a)Earnings(loss) before extraordinary item per selected financial data . . .	$(11,600)	$(4,562)	$(27,500)	$(59,308)	$502
Add interest expense attributable to 7.5% convertible subordinated debentures (c) . . .	---	---	---	---	---
Net earnings(loss) applicable to common stock before extraordinary item . . .	$(11,600)	$(4,562)	$(27,500)	$(59,308)	$502

(b)Stock options granted did not have a dilutive effect and were not included in the computation of earnings per share for fiscal 1993, 1992, 1991 and 1990.

(c)During fiscal 1993, 1992, 1991, 1990 and 1989 the convertible debentures had an antidilutive impact on earnings per share and, accordingly, were excluded from the computation.

EXHIBIT 22

EXHIBIT 22

COMPREHENSIVE CARE CORPORATION

Schedule of Subsidiaries

SUBSIDIARY NAME	STATE OF INCORPORATION
NPHS, Inc.	California
CareManor Hospital of Washington, Inc.	Washington
Trinity Oaks Hospital, Inc.	Texas
Terracina Convalescent Hospital & Home, Inc.	California
CareUnit, Inc.	California
CareUnit Hospital of St. Louis, Inc.	Missouri
Starting Point Incorporated	California
CareUnit Hospital of Albuquerque, Inc.	New Mexico
Comprehensive Care Corporation	Nevada
CareUnit Clinic of Washington, Inc.	Washington
CareUnit Hospital of Ohio, Inc.	Ohio
Comprehensive Care Corporation (Canada) Ltd.	Canada
CareUnit of Chicago, Inc.	Illinois
CareUnit, Inc.	Delaware
CompCare Delaware, Inc. (formerly CareFast, Inc.)	Delaware
CMP Properties, Inc.	Oregon
CareUnit of Florida, Inc.	Florida
CareUnit Hospital of Nevada, Inc.	Nevada
AccessCare, Inc.	Nevada
CareInstitute	California

EXHIBIT 24.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS **EXHIBIT 24.1**

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K into the Company's previously filed Post-Effective Amendment No. 3 to the S-8 Registration Statement File No. 33-6520 and the S-8 Registration Statement File No. 33-27213.

Arthur Andersen & Co

ARTHUR ANDERSEN & CO.

St. Louis, Missouri
September 10, 1993

EXHIBIT 24.2

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CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT 24.2

To the Stockholders and Board of Directors
Comprehensive Care Corporation:

We consent to the incorporation by reference in the Post-Effective Amendment No. 3 to the Registration Statement (No. 33-6520) on Form S-8 and in the Registration Statement (No.33-27213) on Form S-8 of Comprehensive Care Corporation of our report dated August 27, 1992, relating to the consolidated balance sheet of Comprehensive Care Corporation and subsidiaries as of May 31, 1992 and the related consolidated statements of operations, stockholders' equity and cash flows and related schedules for each of the years in the two year period ended May 31, 1992, which report appears in the May 31, 1993 annual report on Form 10-K of Comprehensive Care Corporation.

Our report dated August 27, 1992 contains two separate explanatory paragraphs which state:

> As discussed in Note 15 to the consolidated financial statements, the Company is currently undergoing a payroll tax audit by the Internal Revenue Service ("IRS") for calendar years 1983 through 1991. The IRS asserted that certain physicians and psychologists engaged as independent contractors by the Company should have been treated as employees for payroll tax purposes and has issued an assessment claiming additional taxes due on that basis. Management believes that its treatment of the independent contractors is consistent with IRS guidelines and established industry practice. Management has filed a protest to the assessment and intends to defend vigorously the claims made by the IRS related to this issue. Also, as discussed in Note 15 to the consolidated financial statements, on August 15, 1991 the Company, along with others, were named in a stockholder complaint filed in District Court related to the terminated reorganization with First Hospital Corporation. Management intends to defend vigorously the claims related to this issue. The ultimate outcome of these matters cannot presently by determined. Accordingly, no provision for any liability that may result upon resolution of these matters has been recognized in the accompanying consolidated financial statements.
>
> The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company incurred significant recurring losses and has a substantial portion of its senior secured debt due on November 15, 1992. The potential need for additional financing to repay debt as it comes due and finance the Company's anticipated working capital requirements during fiscal 1993 raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

KPMG Peat Marwick

KPMG Peat Marwick

St. Louis, Missouri
September 10, 1993