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Comprehensive Care Corp. (CHCR)

Initial Report – May 3, 2012

Comprehensive Care Corp. is a behavioral health, substance abuse and psychotropic pharmacy management services provider for managed care companies throughout the U.S.

The Company's attractiveness today is an in-progress turnaround that started in 2009 when the current management team took a controlling position in the Company. Management restructured the Company and prepared it for substantial growth. This growth showed for the first time in 2011, when revenues doubled from $35 million in fiscal year 2010 to $71 million in 2011.

Thanks to a recently launched innovative partnership with the largest retailer in the US, CompCare is able to reduce pharmacy costs by up to 10% for its health plan partners, offering them the lowest possible prices for both branded and generic drugs. CompCare has been offering this unique service since late last year and has already signed up three new contracts and has several others in the pipeline.

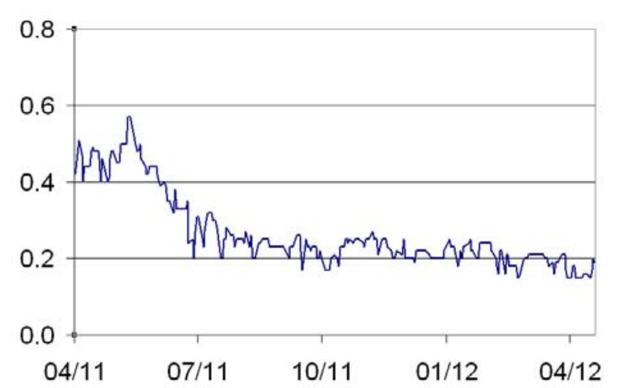
Despite new contracts, we expect CompCare in 2012 to focus on digesting its 2011 growth and returning to profitability. At the same time, we foresee substantial growth in the following years thanks to the Pharmacy Management Program. Based on 2012 revenue estimates of $75 million and earnings of $1.15 million, we initiate coverage of Comprehensive Care Corporation with a buy recommendation and a price target of $0.40, which is double today's stock price.

CompCare
COMPREHENSIVE CARE CORPORATION™

✓ Next to new contracts from the Pharmacy Management Program, CompCare is also picking up new contracts for managed behavioral health services. In the last quarter of 2011 and the first one of 2012, the Company renewed several contracts and signed up new ones. For example, it signed a new agreement with Essence Healthcare to provide services to the Medicare Advantage population in Missouri, Washington and Illinois. And it added 42,000 covered people to its existing contract with L.A. Care, the nation's largest public health plan.

✓ Since the new management team took over, they have invested approximately $20 million to bring the Company where it is today. It's always a big plus when the management of a company is a major shareholder, as it will try to advance the company and its share price.

✓ Also indicative of CompCare's expansion during the last couple of years is the growth of its provider network from about 10,000 participants in 25 states in 2009 to 35,000 providers today active in 46 states, the District of Columbia and Puerto Rico.



Market Data	
Price	$0.20
Sector	Healthcare Services
52-Week Price Range	$0.10 - $0.57
Shares Issued (m)	59.25
Market Cap (m)	$11.85
Listings	CHCR (OTCBB)
Website	http://www.CompCare.com

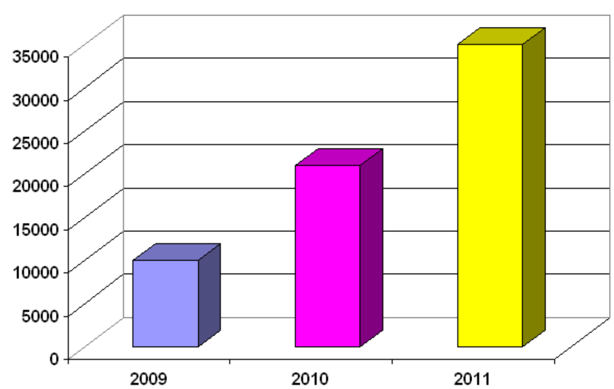
The Company

Comprehensive Care Corporation (CompCare) provides managed care services in the behavioral health, substance abuse, and psychotropic pharmacy management fields to Medicare, Medicaid, Children's Health Insurance Programs and other commercial health plans.

Regional health plans, which don't have their own behavioral health network, will often contract with a Managed Behavioral Healthcare Organization (MBHO) like CompCare, to obtain access to behavioral healthcare professionals, claims processing, case management, better-integrated behavioral healthcare, and psychotropic pharmacy management services.

Although Comprehensive Care was established in 1969, the attractiveness of the Company at this moment is basically an in-progress turnaround that started in 2009 when the current management team took a controlling position in the Company.

The first thing the new management did was get rid of money-loosing contracts. As a result, revenues dropped from over $35 million in 2008 to approximately $14 million in 2009. Next, they invested approximately $20 to restructure the Company.



Since taking over CompCare in 2009, the service provider network has expanded from 10,000 healthcare participants in 25 states to 35,000 healthcare participants in 46 states, Puerto Rico and the District of Columbia.

They revamped the IT infrastructure and transitioned the Company from processing claims manually, to processing them electronically at a much lower cost. They streamlined operations and started offering their services in 46 U.S. states, the District of Columbia and Puerto Rico.

Finally, the Company hired more personnel, including some top level management executives, to handle the growth. Today Comprehensive Care employs 135 people compared with 80 in 2009.

The fruits of all these efforts became visible last year as the Company doubled its revenues from $35 million in fiscal year 2010 to $71 million in 2011. In the last quarter of 2011 and the first one of 2012, the Company renewed contracts and signed up new ones, which will expand its business even further.

Moreover, because the behavioral healthcare services industry is very price competitive, the Company sought and found a way to get into the higher margin commercial pharmaceuticals delivery market. CompCare secured an agreement with a very big retailer to allow partners access to the lowest possible prices for both branded and generic drugs, which results in significant cost savings for CompCare's clients.

Based on the retailer's prices, CompCare calculated how much money it could save one of its clients for which it currently manages the psychotropic drug spend at full risk. This client spends $300 million on non-psychotropic drugs and $30 million on psychotropic drugs annually. After analyzing the drug spend over a random ninety-day period, CompCare identified savings of 10%, or $33 million, annually thanks to the new pharmacy management program.

Convinced of its results, CompCare offered this client a full-risk arrangement to handle its non-psychotropic drugs at $270 million, or $30 million savings which would immediately go to the client's bottom line.

CompCare is now offering this service nationwide and already signed three contracts for it since November 2011. And although there's an implementation period, first revenues from this new service will already be generated in the second quarter of this year.

Looking at the numbers and the potential cost savings, the deal with the retail organization offers huge opportunities for Comprehensive Care.

Services

Typically, a health plan engages CompCare on an annual basis to provide managed behavioral healthcare, substance abuse and psychotropic pharmacy management services to its members. In return, CompCare receives a fixed fee paid on a so-called "per-member-per-month" (PMPM) basis. The agreements fall into two broad categories:

- **At-risk agreements** where the PMPM fee includes the costs paid out to the providers and for pharmaceuticals. In exchange for the fee, which is set at the beginning of the contract, CompCare bears all costs associated with providing these services. Its profit, or loss, will depend on the utilization level of the care.

  It's obvious that while the Company has to provide easy accessible, high quality behavioral healthcare and pharmacy services, it's crucial to keep costs under control as its profit is a function of the utilization and the amount of payment claims made. As a result, CompCare's profitability depends on how effectively it measures hospital inpatient admissions, reviews authorizations for various types of outpatient therapy and manages prescriptions for psychotropic drugs.

- **Administrative Services Only (ASO) agreements** where the PMPM fee excludes the cost of care and where CompCare essentially provides Administrative Services Only, such as clinical care management, provider network development, and claims processing. In such a case, CompCare doesn't assume a financial risk and is not at risk of over/under utilization.

In fiscal year 2011, Comprehensive Care derived \$68.44 million, or 96% of its total revenues, from at-risk contracts and \$2.77 million, or 4% of revenues, from ASO contracts.

At March 26, 2012, Comprehensive Care managed approximately 1 million lives in connection with behavioral, substance abuse, and psychotropic pharmacy management services.

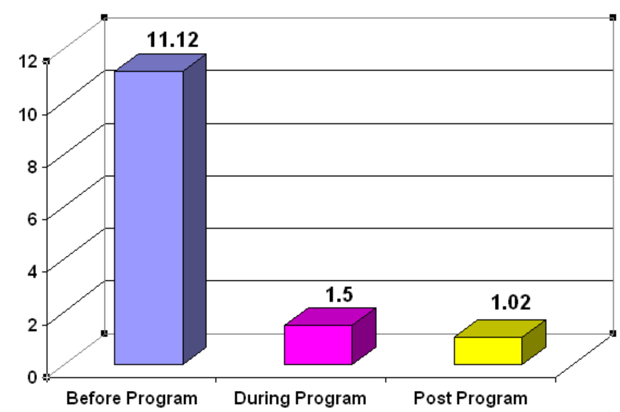
Managed Behavioral Healthcare

When members of a health plan, which has engaged CompCare, call for routine/non-urgent care, CompCare ensures that they are matched to the most appropriate behavioral healthcare provider. This is accomplished through a systematic triage process that obtains enough information to screen for specific clinical need(s) and potential risk, to identify provider requested or required specialty, and to refer to the appropriate provider.

All calls that are urgent in nature are immediately handled by a licensed Care Manager or psychiatrist who will evaluate and provide all of the necessary interventions to ensure the stabilization and safety of the patient. The Care Manager subsequently follows up to ensure that access to emergent care is immediate and that access to urgent care is within 48 hours.

For authorization of sessions beyond the initial one, the provider must submit a written outpatient treatment plan. One of CompCare's care managers reviews each outpatient treatment plan for compliance with clinical level of care guidelines and medical necessity criteria.

CompCare's services are essential to contain healthcare costs. The chart below, for example, illustrates the significant decrease in the number of inpatient days per member before, during and after CompCare's Care Management program. This decrease results in cost savings of \$10,131 per member enrolled in the program.

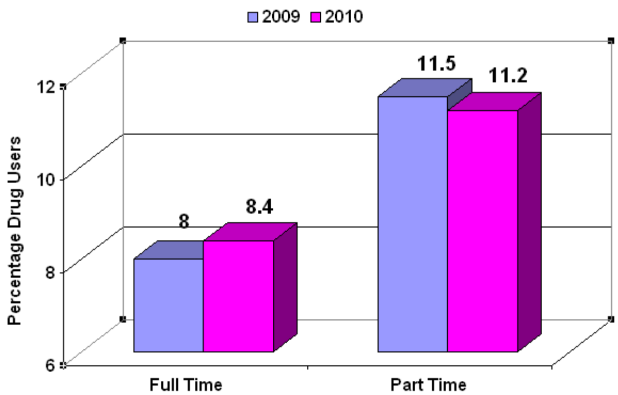


The decline of inpatient days per member before, during and after CompCare's Care Management program, resulting in cost savings of \$10,131 per member.

Substance Abuse Management

According to the 2010 National Survey on Drug Use and Health (NSDUH), 8.4% of full time employees and 11.2% of part time employees use illicit drugs. Employees who use drugs or alcohol are far more likely to be absent from work, cause accidents in the workplace, be less productive than their co-workers, and contribute to a poor working environment.

Whether large or small, businesses are affected by substance abuse. In order for businesses to maintain their competitiveness in today's marketplace, employers must address the substance abuse issue. By establishing programs, such as CompCare's Substance Abuse Disease Management, employers can realize savings through increased productivity, reduced absenteeism and a bolstered workplace morale and reduced health costs.



Graph with caption: Illicit drug use among persons aged 18 or older, by employment status in 2009 and 2010

This is important, as a study by the State of California found that the cost of rehabilitating an employee addicted to alcohol or other drugs was half of what the costs would be to fire that employee and hire and train a new person. CompCare's expertise in providing clinical support and interventions offers a solution that enhances the traditional approach to treating substance abuse.

Behavioral Pharmacy Management

CompCare manages psychotropic pharmacy services for certain health plans' members and is responsible for the cost of drugs dispensed. In accordance with the contracts, the health plan's pharmacy benefit manager ("PBM") performs drug price negotiation and claims adjudication.

CompCare's Behavioral Pharmacy Management service is designed to alleviate two common problems. The first one is the lack of coordination that often occurs when multiple physicians prescribe medications to a member and neglect to communicate with each other. Secondly, the program addresses the frequent prescription of medications outside of recommended guidelines.

28 Quality Indicators are used to track physician prescribing practices. Through data analysis and usage evaluation against clinically sound, evidence-based criteria, the Company is able to identify ineffective, inappropriate and costly drug utilization. Outlier primary care physicians and psychiatrists, flagged by the 28 Quality Indicators, receive advice letters informing them of member, medication variance, literature references, and information comparing their prescribing practices to those of their peers. All with the goal to produce positive outcomes for patients while controlling pharmacy costs.

Providers

The Company has a network of over 35,000 contracted providers located in 46 states, the District of Columbia and Puerto Rico. They are active in the following areas: psychiatrists, psychologists, therapists, other licensed healthcare professionals, psychiatric hospitals, general medical facilities with psychiatric beds, residential treatment centers and other treatment facilities.

In order to ensure that providers offer the necessary quality of care, CompCare follows **NCQA** guidelines for credentialing and re-credentialing providers.

NCQA

The National Committee for Quality Assurance (NCQA) is an independent non-profit organization in the United States designed to improve health care quality.

Organizations incorporating the NCQA seal into advertising and marketing materials must first pass a rigorous review and must annually report on their performance. For consumers and employers, the seal is a reliable indicator that an organization is well-managed and delivers high quality care and services.

NCQA develops quality standards and performance measures for a broad range of health care entities. The annual reporting of these standards and measures has become a focal point for the media, consumers, and health plans, which use these results to set their improvement agendas for the following year.

Contracts with providers and facilities are mostly on a fee-for-service basis, whereby a fee is paid for each separate service such as an office visit, test, procedure, or other health care service.

CompCare continuously monitors all provider's performance. Provider profiling is used to review practice patterns, youth and family satisfaction, unusual incidents, etc. This is done through data analysis, random record reviews, time-specific Quality Management studies, Care Management comments/complaints about providers, and claims issues. If at any time, a member has a concern or is not satisfied with a provider's performance, CompCare addresses the issue with the provider or facility.

CompCare's network is continuously expanding based on client and member needs. If necessary an entire provider network can be set up in a state in as little as 60 days (see 'Growth Drivers' below).

Provider Network Expansion

When the Company's current management took over in 2009, CompCare only had about 10,000 providers operating in 25 states. Since then, the provider network has significantly expanded. Today, the Company is doing business in 22 states, the District of Columbia and Puerto Rico, and is positioned to expand its provider network into 24 additional states.

For example, the Company picked up a new account that had patients in Seattle, where it didn't have any providers, but within 60 days it had deep coverage. A similar thing happened in Puerto Rico, where an entire network was built in less than 60 days.

At the time of initial application, potential providers are required to submit evidence to support current and accurate information to become credentialed providers. The Provider Selection Committee reviews provider applications and conducts site visits. Upon review, applications are forwarded to the NCQA certified Credentialing Verification Organization for further verification. Applications are then returned to CompCare's Credentialing Committee for approval.

Game Changing Opportunity with Major Retailer

Introduction

Soon after CompCare's current management team took a controlling position in the Company, it became clear to them that the enormous cost of healthcare was mainly driven by pharmacy cost. The Pharmacy Benefit Management sector costs close to $260 billion annually and continues to grow.

To combat these rising costs, the management team came up with an at-risk pharmacy program designed to materially reduce costs to health plans. In order to execute this innovative system however, it needed a very large retail organization which had strong negotiating power in the marketplace and lots of outlets.

Convinced of the strength of its idea, CompCare presented it to the largest retailer in the US. Oddly enough, this company had been thinking of introducing more healthcare items in its chain as well. The retailer figured that when more individuals would come into its stores for healthcare reasons, it would be able to increase the revenue stream.

So in October of last year, CompCare secured an agreement with the mass marketer to allow members access to the lowest possible prices for both branded and generic drugs. These prescription drugs are available via instore pharmacies, other local pharmacies, and mail orders.

CompCare is confident that it can reduce its health plan partner's pharmacy costs by up to 10%, which sets the Company substantially apart from the pack. In fact, the Company is so confident in a successful outcome that it's prepared to go at-risk on its clients pharmacy spend for as much as 10% below their previous year pharmacy expenditure.

The Company launched its innovative idea in November of 2011, by sending out proposals to 17 of its existing HMO clients. Since then, three new contracts have been signed for its Pharmacy Management Program and several others are in the process of closing.

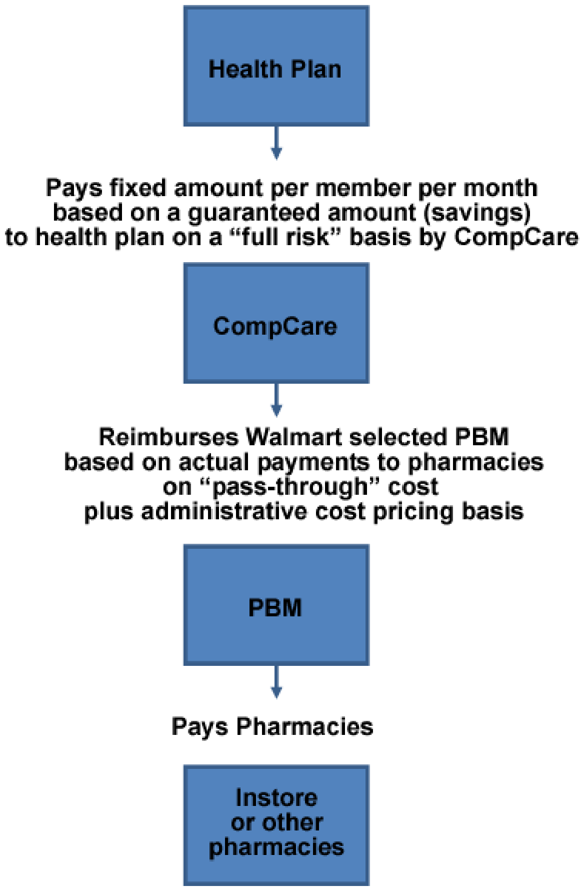
There is an implementation period however because most health plans have contracts whereby only a portion of an existing contract with a PBM rolls off every year. As a result, when CompCare wins a new contract it may only pick up a portion of the overall covered lives in the first year.

CompCare's competition should have a hard time setting up a similar system because in order to get these kinds of discounts on medications, one needs a very big retailer. And since this retailer signed a non-compete contract with CompCare, along with a document that defines the program as being innovative, and designed by CompCare, other MBHOs can't approach the mass retailer that CompCare is associating with for a similar deal.

How it Works

The traditional Pharmacy Benefit Manager (PBM) business model is based on the spread between what the PBM reimburses the pharmaceutical supplier and what the PBM charges the health plan customer. Currently, this spread approximates $10 to $20 per script.

The New Pharmacy Management Program works exclusively with transparent pass through PBM's. In this model, the PBM only charges the health plan partner the exact same amount that was paid to the pharmacy. A low administrative fee is added to the charge and is the only margin for the PBM. Administrative fees typically fall into the range of $1 to $3 per script, significantly less than the margin in the spread model.



The new Pharmacy Management Program's flow of funds.

With these significant discounts, CompCare then evaluates the 6-month pharmacy spend data of potential health plan clients. CompCare subsequently re-prices the health plan's pharmacy spend utilizing the "pass through" pharmaceutical pricing model and offers to go at-risk for the health plan's total pharmacy spend on a per member per month rate.

Example

An actual evaluation of a health plan's pharmacy spend, for which CompCare currently manages the psychotropic drug spend at full risk, resulted in the following analysis.

This health plan has a $300 million annual drug spend on non-psychotropic drugs and a $30 million annual drug spend on psychotropic drugs. After analyzing the drug spend over a random ninety-day period, utilizing the "pass through" pharmaceutical pricing model, CompCare identified savings of 10%, or $33 million annually.

CompCare immediately offered an at risk arrangement for non-psychotropic drugs at $270 million, or savings of $30 million for the health plan's bottom line.

This program can be duplicated across the board and is now available on an at risk basis for all of CompCare's commercial, Medicare, Medicaid and CHIP accounts.

Everybody Wins

The new Pharmacy Management Program is beneficiary to almost everyone.

- Customers win because they will have to pay much less for their medications;
- Health plans win because they can contain the rising drug costs for themselves and for their members;
- The major retailer wins because it will increase its revenue stream and people coming into their stores for healthcare reasons may also purchase other goods; and
- CompCare wins because it will be able to significantly grow its revenues and earnings. At the same time it will be better positioned to also offer the health plans its traditional behavioural health management services.

Growth Drivers

The Company is expanding in a number of ways, which is good as the business is a function of the number of people covered. The more people CompCare covers, the better its bottom line becomes because the Company hardly has to add people or infrastructure.

More Elderly & Covered People

The continuing shift in demographics of the U.S. population towards an older population will increase the number of Medicare beneficiaries such that Medicare expenditures are anticipated to increase from an expected $555 billion in 2011 to $903 billion in 2020.

Employer sponsored private health insurance accounts for $1.3 trillion of health care expenditures annually. By 2020, national health spending is expected to reach $4.8 trillion and comprise 19.8% of the United States' Gross Domestic Product.

Also demand for behavioral healthcare management and pharmacy management services is expected to increase in response to governmental legislative changes such as the passage of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, which should increase the number of people covered by health insurance.

New Business

Next to the natural growth of covered people due to the aging population, Comprehensive Care also wants to actively expand its presence in existing and new markets by both enhancing its product offerings and identifying new business development partners.

CompCare is succeeding in that goal as late last year it was able to sign a new multi-service agreement with Essence Healthcare to provide managed behavioral health and pharmacy management services to the Medicare Advantage population in Missouri, Washington and Illinois. Under the agreement, which commenced on January 1, 2012, CompCare provides Essence Healthcare enrollees with integrated behavioral health and a specialized pharmacy management program for psychotropic medications.

And in March of 2012, CompCare added 42,000 covered people to its existing contract with L.A. Care, the nation's largest public health plan. This deal more than doubled the number of lives covered in the original contract which CompCare secured early 2011.

The Major Retailer

CompCare's Pharmacy Management Program in collaboration with a big retailer allows health plan partners access to the lowest possible prices for both branded and generic drugs, available at the retailer's instore pharmacies as well as other local pharmacies and mail order.

The Program effectively reigns-in the rising costs of drugs for health plans. The Program is offered by CompCare on a capitated full-risk basis whereby CompCare guarantees its health plan partner a substantial savings. These savings are not available through the health plans' existing PBMs.

We feel that everything is in place to make the Pharmacy Management Program, in collaboration with the retailer, a gigantic success:

- CompCare's existing national provider network contracts with over 35,000 health care professionals and facilities in 46 states, Puerto Rico and Washington, DC;
- CompCare's corporate infrastructure and information systems is in place;
- The retailer's support/collaboration and national store locations, which serve as pharmaceutical/drug dispensing locations under the Program; and
- Participation/support of the PBM's that have a relationship with the retailer, assuring low-cost "pass-through" drug pricing to the Program.

To date, CompCare has signed three new contracts for the Pharmacy Management Program with several others in the pipeline. Although it takes some time to implement them, we're convinced CompCare will start to generate significant revenues from the Program in the following months.

Financials

Fourth Quarter And Full Year 2011 Results

CompCare's revenues more than doubled in fiscal year 2011 to $71.21 million compared with revenues of $35.21 million in 2010. Despite the Company's impressive growth, it lost more than $14 million in 2011 compared with a loss of $10.4 million in 2010.

This was mainly due to the fact that CompCare reinvested most of its top line revenue growth to handle future expansion. CompCare successfully streamlined and automated key business functions, expanded and strengthened its provider network, built a solid infrastructure and employee base, and developed ancillary products marketable to both the public and private sectors of health care. As a result of this reinvestment strategy, the Company is well positioned to absorb additional new business.

The majority of CompCare's revenues are obtained through managed care activities which are performed under the terms of at-risk agreements with health maintenance organizations and other health plans or payers to provide contracted behavioral healthcare services to subscribing participants.

Operating revenues from these at-risk contracts increased by 49.3%, or $11.6 million, to $35.1 million for 2011 compared to $23.5 million for 2010. The increase was primarily attributable to the addition of two major customers during the fourth quarter of 2010 that accounted for $16.8 million in revenue in 2011, as well as additional business from a previously existing customer of approximately $1.6 million. This was offset by the loss of two customers that accounted for $6.3 million in 2010.

Revenue from ASO contracts increased by 22.5%, or approximately $0.5 million, to $2.8 million for 2011, due primarily to the addition of one ASO contract in 2011 with revenues of approximately $0.3 million, and additional business from a previously existing ASO client.

Source Category	FY 2011	FY 2010
At-risk Contracts	35,139	23,528
ASO Contracts	2,768	2,259
Pharmacy Contracts	33,303	9,398
Other	-	29
Total Revenues	**71,210**	**35,214**

Summary of revenues by source category for 2011 and 2010. Source: Company Filings

Under certain behavioral health contracts CompCare also manages the psychotropic drug benefit for the health plan's subscribing participants and is responsible for the cost of drugs dispensed. Pharmacy revenues increased to $33.3 million for 2011 from $9.4 million in 2010, primarily attributable to the Puerto Rico pharmacy contract that started September 18, 2010, which integrates psychotropic drug management services with traditional behavioral managed care.

During 2011, the Company provided services under at-risk arrangements for Medicare and commercial patients in Louisiana, Medicaid patients in Michigan, Medicaid and CHIP patients in Missouri and Texas, Medicare patients in Puerto Rico, CHIP patients in Pennsylvania, and commercial patients in Wisconsin.

Amounts in $000's	12/31/11	12/31/10
Net Sales	17,171	17,870
Cost of Goods Sold	18,813	18,071
S, G & A Expenses	5,169	3,393
Loss From Operations	**7,009**	**3,810**
Interest Expense	507	423
Other Non-Operating Income	19	2,442
Pre-Tax Loss	7,604	1,704
Income Tax Expense	5	135
Net Loss	**7,609**	**1,839**
Diluted Shares Outstanding	57,031	46,156
Diluted Loss Per Share	0.25	0.23

Most important income statement data for the fourth quarters ending December 31, 2011 and December 31, 2010. Source: Company Filings

Note that the Other Non-Operating Income in the fourth quarter of 2010 was a potential reinsurance claims liability which was reversed in 2010 due to the remote likelihood of payment from the passage of time without claim.

General and administrative expense decreased $0.6 million to $11.3 million in 2011 from $11.9 million in 2010 due primarily to a reduction of $1.5 million in salaries and benefits and a $0.7 million decrease in legal fees due to resolved legal matters, offset by a $0.9 million increase in stock-based compensation expense. General and administrative expense as a percentage of total operating revenue decreased to 15.8% for 2011 from 33.8% for 2010 due to the benefits of economies of scale gained from higher operating revenue.

Balance Sheet As Of December 31, 2011

Comprehensive Care has a poor balance sheet. We expect however, that with its existing contracts, plus the addition of new contracts and the launch of its Pharmacy Management Program that the Company will be able to significantly improve its cash flow, operating result and balance sheet in as little as a few quarters.

Amounts in $000's	12/31/11	12/31/10
Cash and Cash Equivalents	832	563
Accounts Receivable	834	20
Other	699	410
Total Current Assets	2,365	993
Goodwill	12,150	12,150
Total Assets	**15,316**	**14,710**
Notes Payable	2,670	2,584
Accrued Claims Payable	14,036	8,270
Other Accrued Expenses	7,399	6,650
Total Current Liabilities	27,895	19,324
Long Term Debt	3,903	1,516
Total Liabilities	**31,798**	**21,451**
Total Stockholder Equity Deficiency	16,482	6,741

Most important balance sheet data for the periods ending December 31, 2011 and December 31, 2010. Source: Company Filings

Recent Events

Three Year Full Accreditation from NCQA

In October of 2011, Comprehensive Care was awarded a 3-year full accreditation by the National Committee for Quality Assurance (NCQA). NCQA Accreditation for an MBHO is a nationally recognized tool that is used by purchasers, regulators and consumers to evaluate an MBHO. This is the 12th consecutive year that CompCare has been awarded Full Accreditation from NCQA.

In determining the accreditation, NCQA evaluates the following areas: quality improvement, utilization management, credentialing, members' rights and responsibilities, and preventative care. Basically, these standards validate that an MBHO is founded on principles of quality and is continuously improving the clinical care and services it provides. According to NCQA guidelines, a three-year Full Accreditation, the highest rating that an MBHO can achieve, is granted only to those plans that meet NCQA's rigorous standards for quality.

NCQA accreditation is very important for an MBHO as it is required by most health plans and other clients. It gives them the comfort level they need with respect to how their members will be cared for, how unnecessary costs will be avoided and how their State will view their MBHO operation.

Puerto Rico Expansion

In July of 2010, Comprehensive Care acquired the remaining 49% of an existing MBHO in Puerto Rico, of which it already owned 51%.

Early 2012, CompCare de Puerto Rico completed its build out of a fully contracted and credentialed specialty behavioral health provider network to better serve its clients. It's now the largest behavioral health provider network servicing the Medicare population in Puerto Rico and the only one accredited by the NCQA.

The new specialty network is comprised of 422 individual professional providers, including 130 psychiatrists, 249 psychologists, 43 social workers and 31 behavioral health facilities. In addition, CompCare has established six Company-owned clinics exclusively for the members of CompCare's clients to round out its network capabilities.

As a result of these efforts, CompCare was able to extend the contract of a major Puerto Rico client to December 31, 2012 and negotiated a 11% rate increase, equating to an annual revenue increase of $3.7 million. Thanks to this rate increase, along with other initiatives being taken by the Company, results in the Puerto Rico subsidiary will immediately be profitable.

Outlook

In less than 2 years, Comprehensive Care's management team has built the foundation to substantially grow the Company.

They got rid of money-loosing contracts, renewed the IT infrastructure, streamlined operations and started offering their services in 46 U.S. states, the District of Columbia and Puerto Rico, versus only a handful in 2009.

The service provider network has been expanded from 10,000 healthcare participants in 25 states to 35,000 providers in 46 states, Puerto Rico and the District of Columbia.

The Company also hired more personnel, including some top level management executives, to handle the expected growth. This growth showed for the first time in 2011, when revenues doubled from $35 million in fiscal year 2010 to $71 million in 2011.

The way we see it, CompCare has two services already in place with which it can grow its business far beyond its current revenues and earnings.

First of all, the Pharmacy Management Program. Thanks to this system, CompCare is able to reduce pharmacy costs by up to 10% for its health plan partners, offering them the lowest possible prices for both branded and generic drugs.

Additionally, CompCare is picking up contracts for managed behavioral health services as well. In the last quarter of 2011 and the first one of 2012, the Company renewed several contracts and signed up new ones. For example, it signed an new agreement with Essence Healthcare to provide services to the Medicare Advantage population in Missouri, Washington and Illinois. And it added 42,000 covered people to its existing contract with L.A. Care, the nation's largest public health plan.

Despite these new contracts, we believe that in 2012, CompCare will especially focus on digesting its 2011 growth and returning to profitability. For the following years, we expect substantial growth thanks to the Pharmacy Management Program.

Valuation

We expect revenues to stay relatively flat compared with 2011. However, thanks to synergies, economies of scale and some price increases, earnings should be in the black in this fiscal year.

Therefore, we estimate CompCare's revenues to reach approximately $75 million in 2012 with earnings of $1.15 million, or 2 cents per share.

Amounts in $000's	2010	2011	2012E
Total Revenue	35,214	71,210	75,000
Net Income	(10,426)	(14,088)	1,150

Annual sales and earnings FY 2010 – 2012E. Source: Company Filings and Smallcaps.us estimates

We'll update our sales and earnings model after first quarter results for the period ending March 31, 2012, have been announced. These are expected around May 15th, 2012.

Applying the $0.02 EPS projection to a 20x P/E multiple, which is reasonable for a fast growing company in the healthcare services sector, we reach the following calculation: $0.02 EPS multiplied by 20 = $0.40.

Based on these calculations, we initiate coverage of Comprehensive Care Corporation with a buy recommendation and a price target of $0.40, which is double today's stock price.

Management and Steering Committee

- **Clark A. Marcus - Chairman & CEO**

CEO since 2009, Mr. Marcus has over 35 years of experience in building both public and private businesses across multiple sectors. With 20 years of experience in healthcare, Mr. Marcus was a co-founder, CEO and Chairman of the Board of The Amacore Group, Inc., a premier healthcare distribution company whose sales grew from zero to over $30 million per year. Prior to his tenure at The Amacore Group, he founded and initially funded Dimensional Vision Group Limited (DVG) and Fountain Pharmaceuticals, Inc. Mr. Marcus was also a senior partner of the New York law firms Victor & Marcus and Marcus & Marcus. Mr. Marcus currently serves on the Corporate Leadership Advisory Counsel to the U.S. Chamber of Commerce.

- **Joshua I. Smith - Vice Chairman of Board of Directors and Steering Committee Member**

Mr. Smith was appointed to our Board of Directors on January 21, 2009 and serves as the Company's Vice Chairman. He is a nationally renowned entrepreneur and lecturer and has served as the Chairman and Managing Partner of The Coaching Group since 1999. Previously, he was founder, Chairman and Chief Executive Officer of The MAXIMA Corporation, a 20-year old consultancy that achieved a national reputation as one of the top African-American owned and fastest-growing firms in the United States. Mr. Smith also serves on the board of directors for Caterpillar, Inc., FedEx Corp., and Allstate Insurance Corp.

- **Arnold B. Finestone, Ph.D., Director and Steering Committee Member**

Arnold B. Finestone was appointed to our Board of Directors on January 21, 2009. He is a business management consultant and formerly served on the Board of Directors of the Amacore Group, Inc., a public company and marketer of healthcare-related memberships. He has served on the Boards of public companies and start-up business ventures since 1985. From 1982 to 1985, he was President of

Dartco, Inc., a subsidiary of Dart & Kraft, Inc., which was engaged in marketing and manufacturing of high performance engineering plastics for consumer, industrial, and military uses. From 1970 to 1982, he served as Executive Vice President of the Chemical-Plastics Group of Dart Industries and Dart & Kraft, Inc. From 1957 to 1970, he was Vice President and Director of Planning, Development and Marketing for Foster Grant, Inc. Dr. Finestone's qualifications include his financial expertise, and his extensive governance and executive experience, including executive level roles in complex organizations.

- **Robert R. Kulbick - President**

Mr. Kulbick, a highly regarded leader in the healthcare industry, has over three decades of experience as an entrepreneur and senior executive. Most recently, as President of ProCare Rx, Inc., he reduced drug spend 37% by launching a model that lowered prescription costs for employer groups and health plans via partnerships with Wal-Mart, Kmart, and Target. Prior to this, he served as Chief Marketing Officer of Cypress Care, Inc., where he engineered an explosive growth in revenue from $60 million to more than $250 million. Mr. Kulbick is a graduate of the United States Military Academy, West Point, and holds an MBA from the University of Scranton.

- **Robert J. Landis - CFO**

Mr. Landis currently serves as the Acting Chief Financial Officer and previously served as Chairman of the Board, and as Chief Financial Officer and Treasurer of the Company. Prior to joining CompCare in 1998, Mr. Landis served as Treasurer of Maxicare health plans, Inc., a health maintenance organization. Mr. Landis is a Certified Public Accountant who received his Bachelor's Degree in Business Administration from the University of Southern California and his Master's Degree in Business Administration from California State University at Northridge.

- **Jayendra Choksi, M.D., Medical Director**

CompCare's Medical Director since 1995, Dr. Choksi spearheads all clinical management practices; coordinates both psychiatric and medical professionals and staff members; and ensures all service delivery is in accordance with the Company's standards and scientifically-based clinical protocols. Prior to joining the Company, Dr. Choksi served as Medical Director for American Mental Health Care, Inc., Tampa General Hospital, and Virginia Doctor's Hospital. Dr. Choksi received his M.B.B.S. in undergraduate studies from B.J. Medical College and Civic Hospital, Gujarat University, Ahmedabad, India, and his M.D. in Psychological Medicine from B.J. Medical College and Civic Hospital, Gujarat University, Ahmedabad, India.

- **Susan Norris, Ph.D., Chief Clinical Officer**

An accomplished executive with over 17 years of national experience in both behavioral and managed healthcare, Dr. Norris joined the Company in 2010. Prior to joining the Company, Dr. Norris was President and CEO of MHNet Behavioral Care where she provided executive leadership for a behavioral health care organization with revenues of over $105 million and net profits of $32 million. Dr. Norris has a doctorate in Psychology from Walden University, a Master of Science from Troy State University, and a Bachelor of Arts from Flagler College. She is a Licensed Mental Health Counselor in the State of Florida.

- **Richard Wright, Senior Vice President Business Development**

Mr. Wright, who joined CompCare in late 2010, has over 18 years of experience in healthcare, most recently serving as Senior Vice President of Business Development for MHNet. During his tenure at MHNet, Mr. Wright closed an average of $12 to $15 million dollars per year in incremental gross revenue, moving the total annual gross revenue run rate from $750,000 to over $135 million. During his career, Mr. Wright's P and L responsibility has been $1 billion in revenue. Mr. Wright has a Master of Science in Health Care Administration from Trinity University and a Bachelor of Science, Cum Laude in Business Administration from Columbia College.

Annual Income Statement FY 2008 – FY 2011

All numbers in thousands

PERIOD ENDING	FY 2008	FY 2009	FY 2010	FY 2011
Total Revenue	**35,156**	**14,184**	**35,214**	**71,210**
Cost of Revenue	36,496	13,443	33,613	71,257
Gross Profit	**(1,340)**	**741**	**1,601**	**(47)**
Operating Expenses				
General and Administrative	3,612	9,699	11,930	11,291
Provision for Doubtful Accounts	(49)	4	-	-
Impairment Loss	-	146	-	-
Depreciation and Amortization	153	685	769	839
Other Expenses	130	9,518		
Total Operating Expenses	3,846	20,052	12,699	12,130
Operating Income or Loss	**(5,186)**	**(19,311)**	**(11,098)**	**(12,177)**
Income from Continuing Operations				
Interest Expense	(192)	(313)	(1,585)	(1,853)
Other Non-Operating Income	14	1	2,442	19
Income Tax Expense	-5	189	229	77
Interest Income	26	3	-	-
Net Income From Continuing Ops	(157)	(498)	628	(1,911)
Non-recurring Events				
Loss on Sale of Assets	(9)	-	-	-
Extraordinary Items	-	890	44	-
Net Income	**(5,352)**	**(18,919)**	**(10,426)**	**(14,088)**
Basis Loss per Share	**(0.67)**	**(0.59)**	**(0.23)**	**(0.25)**

Annual Income Statement FY 2008 – FY 2011. Source: Company Filings

OTCBB: CHCR

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