

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K/A

Current report filing [amend]

Filing Date: 2009-01-26 | Period of Report: 2009-01-20
SEC Accession No. 0001136174-09-000004

(HTML Version on secdatabase.com)

FILER

HYTHIAM INC

CIK: **1136174** | IRS No.: **880464853** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **8-K/A** | Act: **34** | File No.: **001-31932** | Film No.: **09546034**
SIC: **8090** Misc health & allied services, nec

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

Amendment No. 1

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **January 20, 2009**

Hythiam, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-31932
(Commission File Number)

88-0464853
(IRS Employer
Identification No.)

11150 Santa Monica Boulevard, Suite 1500
Los Angeles, California
(Address of principal executive offices)

90025
(Zip Code)

Registrant's telephone number, including area code **(310) 444-4300**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement

Pursuant to a Stock Purchase Agreement between our wholly-owned subsidiary WoodCliff Healthcare Investment Partners, LLC (WoodCliff) and Core Corporate Consulting Group, Inc. (Core), dated January 14, 2009, and effective as of January 20, 2009, we have disposed of our entire interest in our majority-owned, controlled subsidiary Comprehensive Care Corporation (CompCare), consisting of 14,400 shares of Class A Series Preferred Stock, and 1,739,130 shares of common stock of CompCare held by Woodcliff, for aggregate gross proceeds of \$1,500,000.

Item 2.01 Completion of Acquisition or Disposition of Assets

On January 20, 2009, we disposed of CompCare, in accordance with the agreement described in Item 1.01 above.

Item 2.02 Results of Operations and Financial Condition

We expect to recognize a gain of approximately \$10.5 million from the sale of our CompCare interest, to be recognized in our first quarter 2009 earnings and included in our results from operations for the 3 months ended March 31, 2009.

In accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," CompCare's results from operations will be included in Income from Discontinued Operations, and its assets and liabilities will be separately classified as relating to discontinued operations beginning in the Quarterly Report on Form 10-Q for the three months ended March 31, 2009.

Item 2.06 Material Impairment

The goodwill from our original purchase of our interest in CompCare in January, 2007 was assigned to our healthcare services reporting unit as part of the purchase accounting for the transaction. On January 21, 2009 Hythiam concluded that this goodwill had been impaired as part of our quarterly impairment testing and evaluation, mainly resulting from the decline in the value of the reporting unit that arose from the downward re-pricing of risk that occurred broadly in the equity markets and affected the reporting unit in the fourth quarter. The amount of the resulting non-cash impairment charge is estimated at \$9.8 million, representing the full carrying value of such goodwill, and will be recognized and included in our results of operations for the three months and fiscal year ended December 31, 2008.

Item 7.01 Regulation FD Disclosure

We made the decision to sell our interest in CompCare in order to preserve capital rather than investing the significant additional funds we believe would be required to adequately capitalize CompCare and to maintain its operations. We also expect to achieve cost reductions and administrative efficiencies as a result of the sale.

We will have an ongoing relationship with CompCare through a new ASO (Administrative Services Only) vendor agreement in support of our newly launched specialty products and programs for autism and ADHD. Catasys will now offer programs for autism, ADHD and substance dependence. Although agreements for the substance dependence offering that were expected to close in late 2008 have been delayed, we anticipate they are moving toward closing and expect finalization soon. We are also looking forward to closing agreements for autism and ADHD in 2009.

The specialty behavioral health products and programs fit within our strategy of offering integrated behavioral and medical solutions to address high cost areas for health plans. These new products are expected to be relevant because 34 states currently have some level of mandated autism coverage with additional states adding coverage soon, and because of the recently passed Wellstone and Domenici Mental Health Parity and Addiction Equity Act. Specific programs aimed at addressing high-cost conditions by improving patient care and reducing overall medical

costs can benefit health plans that do not have or do not wish to dedicate the capacity or focus to develop programs internally.

Item 9.01 Financial Statements and Exhibits

(b) Pro forma financial information

The unaudited pro forma consolidated financial statements in the tables below have been prepared by applying pro forma adjustments to the consolidated financial statements included in Hythiam, Inc.'s Annual Report on form 10-K for the year ended December 31, 2007 and Quarterly Report on Form 10-Q for the nine month period ended September 30, 2008. The unaudited pro forma consolidated statements of operations reflect the transaction described in Items 1.01 and 2.01 above, assuming the transaction had been consummated as of the beginning of the fiscal period presented. The unaudited pro form consolidated balance sheet reflects such transactions, assuming they had been consummated as of September 30, 2008.

The pro forma adjustments, as described in the notes to the unaudited pro forma consolidated financial statements, are based upon available information and certain assumptions that we believe are reasonable. The allocations are preliminary in nature and subject to change following the transaction based on refinements as actual data becomes available. The unaudited pro forma consolidated financial statements should be read in conjunction with the historical financial statements and the related management's discussion and analysis of financial condition and results of operations, which are contained in the Quarterly Report on Form 10-Q for the three month period ended September 30, 2008 and the 2007 Annual Report on Form 10-K.

The unaudited pro forma financial information is for informational purposes only and does not purport to present what our results would actually have been had these transactions actually occurred on the dates presented or to project our results of operations or financial position for any future period.

Forward-Looking Statements

Except for statements of historical fact, the matters discussed in this report are forward looking and made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect numerous assumptions and involve a variety of risks and uncertainties, many of which are beyond the company's control that may cause actual results to differ materially from stated expectations. These risk factors include, among others, limited operating history and lack of statistically significant formal research studies, the risk that treatment protocols might not be effective, difficulty in developing, exploiting and protecting proprietary technologies, intense competition and substantial regulation in the healthcare industry; and additional risks factors as discussed in the reports filed by the company with the Securities and Exchange Commission, which are available on its website at <http://www.sec.gov>.

Except as required by law, we disclaim any obligation to release publicly any updates or any changes in its expectations or any change in events, conditions, or circumstances on which any forward-looking statements are based.

HYTHIAM, INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008
(In thousands, except per share amounts)
(unaudited)

	<u>Hythiam, Inc. Consolidated as reported</u>	<u>CompCare Operations (a)</u>	<u>Hythiam, Inc. Pro Forma Consolidated</u>
Revenues:			
Behavioral health managed care services	\$27,315	\$(27,315)	\$-
Healthcare services	5,295	-	5,295
Total revenues	<u>32,610</u>	<u>(27,315)</u>	<u>5,295</u>
Operating expenses:			
Behavioral health managed care services	28,912	(28,912)	-
Cost of healthcare services	1,335	-	1,335
General administrative expenses	32,449	(2,983)	29,466
Research and development	2,986	-	2,986
Depreciation & amortization	2,104	(685)	1,419
Total operating expenses	<u>67,786</u>	<u>(32,580)</u>	<u>35,206</u>
Loss from operations	(35,176)	5,265	(29,911)
Interest income	761	(23)	738
Interest expense	(1,354)	205	(1,149)
Change in fair value of warrant liabilities	4,713	-	4,713
Loss before provision for income taxes from continuing operations	(31,056)	5,447	(25,609)
Provision for income taxes	25	(2)	23
Loss from continuing operations	(31,081)	5,449	(25,632)
Loss from continuing operations per common share (Basic and diluted):			
Loss from continuing operations	\$(0.57)	\$0.10	\$(0.47)
Weighted average shares outstanding:			
Basic and diluted	54,479		54,479

HYTHIAM, INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007
(In thousands, except per share amounts)
(unaudited)

	Hythiam, Inc. Consolidated as reported	CompCare Operations (a)	Hythiam, Inc. Pro Forma Consolidated
Revenues:			
Behavioral health managed care services	\$26,525	\$(26,525)	\$-
Healthcare services	5,692	-	5,692
Total revenues	32,217	(26,525)	5,692
Operating expenses:			
Behavioral health managed care services	25,874	(25,874)	-
Cost of healthcare services	1,370	-	1,370
General administrative expenses	34,592	(2,902)	31,690
Impairment loss	2,387	-	2,387
Research and development	2,429	-	2,429
Depreciation & amortization	1,830	(682)	1,148
Total operating expenses	68,482	(29,458)	39,024
Loss from operations	(36,265)	2,933	(33,332)
Other non-operating income, net	32	(32)	-
Interest income	1,179	(112)	1,067
Interest expense	(1,736)	194	(1,542)
Loss before provision for income taxes from continuing operations	(36,790)	2,983	(33,807)
Provision for income taxes	48	(39)	9
Loss from continuing operations	(36,838)	3,022	(33,816)
Loss from continuing operations per common share (Basic and diluted):			
Loss from continuing operations	\$(0.83)	\$0.06	\$(0.77)
Weighted average shares outstanding:			
Basic and diluted	44,131		44,131

HYTHIAM, INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007
(In thousands, except per share amounts)
(unaudited)

	Hythiam, Inc. Consolidated as reported	CompCare Operations (a)	Hythiam, Inc. Pro Forma Consolidated
Revenues:			
Behavioral health managed care services	\$36,306	\$(36,306)	\$-
Healthcare services	7,695	-	7,695
Total revenues	<u>44,001</u>	<u>(36,306)</u>	<u>7,695</u>
Operating expenses:			
Behavioral health managed care services	35,679	(35,679)	-
Cost of healthcare services	2,052	-	2,052
General administrative expenses	45,554	(3,721)	41,833
Impairment loss	2,387	-	2,387
Research and development	3,358	-	3,358
Depreciation & amortization	2,502	(923)	1,579
Total operating expenses	<u>91,532</u>	<u>(40,323)</u>	<u>51,209</u>
Loss from operations	(47,531)	4,017	(43,514)
Interest income	1,584	(143)	1,441
Interest expense	(2,190)	263	(1,927)
Loss on extinguishment of debt	(741)	-	(741)
Change in fair value of warrant liabilities	3,471	-	3,471
Other non-operating income, net	32	(32)	-
Loss before provision for income taxes from continuing operations	(45,375)	4,105	(41,270)
Provision for income taxes	87	(72)	15
Loss from continuing operations	(45,462)	4,177	(41,285)
Loss from continuing operations per common share (basic and diluted):			
Loss from continuing operations	\$(0.99)	\$0.09	\$(0.90)
Weighted average shares outstanding:			
Basic and diluted	45,695		45,695

HYTHIAM, INC.
PRO FORMA CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2008
(In thousands)
(unaudited)

	<u>Hythiam, Inc.</u> <u>as reported</u>	<u>Compcare (b)</u>	<u>Pro Forma,</u> <u>as adjusted</u>
Assets:			
Cash and cash equivalents	\$13,724	\$373	\$14,097
Marketable securities, at fair value	1,767	-	1,767
Restricted cash	53	(1)	52
Receivables, net	2,661	(1,845)	816
Notes receivable	24	(24)	-
Prepays and other current assets	1,397	(408)	989
Total Current Assets	<u>19,626</u>	<u>(1,905)</u>	<u>17,721</u>
Marketable securities, at fair value	10,408	-	10,408
Property and equipment, net	3,259	(275)	2,984
Goodwill	10,291	(493)	9,798
Intellectual property & other intangible assets	4,242	(795)	3,447
Deposits and other assets	599	(273)	326
Total Assets	<u>\$48,425</u>	<u>\$(3,741)</u>	<u>\$44,684</u>
Liabilities and Stockholders' Equity:			
Accounts payable	\$4,998	(450)	4,548
Accrued compensation and benefits	1,649	(279)	1,370
Accrued liabilities	2,347	(1,479)	868
Accrued claims payable	6,371	(6,371)	-
Short term debt	9,081	-	9,081
Income taxes payable	15	(15)	-
Total Current Liabilities	<u>24,461</u>	<u>(8,594)</u>	<u>15,867</u>
Long-term debt	2,320	(2,320)	-
Accrued reinsurance claims payable	2,526	(2,526)	-
Warrant liabilities	1,187	-	1,187
Capital lease obligations	183	(78)	105
Deferred rent and other long-term liabilities	194	-	194
Total Liabilities	<u>30,871</u>	<u>(13,518)</u>	<u>17,353</u>
Stockholders' Equity:			
Preferred stock	-	-	-
Common stock	5	-	5
Additional paid-in capital	172,925	-	172,925
Accumulated other comprehensive loss	(1,092)	-	(1,092)
Accumulated deficit	(154,284)	9,777	(144,507)
Total stockholders' equity (deficit)	<u>17,554</u>	<u>9,777</u>	<u>27,331</u>
Total Liabilities and Stockholders' Equity	<u>\$48,425</u>	<u>\$(3,741)</u>	<u>\$44,684</u>

HYTHIAM, INC.
NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(in 000's)

(a) Reflects the elimination of results for CompCare's operations, which were reported in our behavioral health managed care reporting segment.

(b) Reflects the elimination of assets and liabilities of CompCare, including the resulting gain on the sale, assuming the sale had been consummated on September 30, 2008:

Net Proceeds from the sale of CompCare	\$1,500
Net liabilities of CompCare operations	8,277
Gain on sale	<u>\$9,777</u>

The pro forma consolidated statements of operations have not been adjusted to give effect to the gain on sale of CompCare.

(d) Exhibits.

<u>No.</u>	<u>Description</u>
10.1	Stock Purchase Agreement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HYTHIAM, INC.

Date: January 26, 2009

By: /s/ MAURICE HEBERT
Maurice Hebert
Chief Financial Officer

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the “Agreement”) is made and entered into this 14th day of January 2009, by and among Core Corporate Consulting Group, Inc., a Delaware corporation (“Buyer”) and WoodCliff Healthcare Investment Partners, LLC, a Delaware limited liability company (the “Seller”). The Buyer and the Seller are hereinafter sometimes referred to collectively as the “Parties” or singly as a “Party.”

WHEREAS, the Seller owns 14,400 shares of Class A Series Preferred Stock, par value, \$50.00 per share (the “Preferred Stock”), and 1,739,130 shares of Common Stock, par value, \$0.01 per share (the “Common Stock”), of Comprehensive Care Corporation, a Delaware corporation (“CompCare”); and

WHEREAS, the Seller wishes to sell the Shares to the Buyer, and the Buyer wishes to purchase the Shares from the Seller, upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, the Parties agree as follows:

ARTICLE I DEFINITIONS

1.1 Definitions. As used in this Agreement, the following terms shall have the definitions set forth below:

“**Agreement**” means this Stock Purchase Agreement and all amendments hereto.

“**Business Day**” means any day other than a Saturday, Sunday or a day on which banks are permitted or required to be closed in New York, New York.

“**Buyer**” has the meaning set forth in the preface above.

“**Closing**” has the meaning set forth in Section 2.3.

“**Closing Date**” has the meaning set forth in Section 2.3.

“**Common Stock**” has the meaning set forth in the preface above.

“**CompCare**” has the meaning set forth in the preface above.

“**Deposit**” means the \$100,000 deposit made by Buyer in partial satisfaction of the Purchase Price and held by Seller’s attorney in escrow.

“**Governmental Entity**” means any government or subdivision thereof, whether domestic or foreign, or any administrative, governmental or regulatory authority, agency, department, division, commission, court, tribunal or body, whether domestic, foreign or multinational.

“**Incumbent Directors**” means Steven R. Peskin, Michel A. Sucher, and Michael Yuhas.

“**Law**” means any federal, state, local or foreign law, statute, code, ordinance, rule, regulation, judgment, order, injunction, decree, arbitration award, agency requirement, license or permit of any Governmental Entity.

“**Party**” has the meaning set forth in the preface above.

“**Person**” means an individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization or Governmental Entity.

“**Preferred Stock**” has the meaning set forth in the preface above.

“**Purchase Price**” means \$1,500,000 which consists of the Deposit plus \$1,400,000 to be delivered at Closing.

“**SEC**” means the Securities and Exchange Commission

“**Securities Act**” means the Securities Act of 1933, as amended.

“**Securities Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Seller**” has the meaning set forth in the preface above.

“**Shares**” means the Preferred Stock and the Common Stock.

1.2 Use of Words and Phrases. “Herein,” “hereby,” “hereunder,” “hereof,” “hereinabove,” “hereinafter” and other equivalent words refer to this Agreement as a whole and not solely to the particular Section of this Agreement in which any such word is used. The definitions set forth in Section 1.1 hereof include both the singular and the plural. Whenever used in this Agreement, any pronoun shall be deemed to include both singular and plural and to cover all genders. All references to dollars in this Agreement shall mean U.S. dollars.

ARTICLE II PURCHASE AND SALE

2.1 Purchase and Sale of the Shares. Upon the terms and subject to the conditions of this Agreement, at the Closing, the Seller shall sell to the Buyer, and the Buyer shall purchase from the Seller, the Shares.

2.2 Purchase Price; Allocation of Purchase Price. The aggregate purchase price for the Shares shall be \$1,500,000 in cash (the “Purchase Price”). The Purchase Price shall be allocated as follows: (i) \$1,100,000 as to the Preferred Stock and (ii) \$400,000 as to the Common Stock. At closing the Deposit shall be applied towards payment of the Purchase Price.

2.3 Closing. The closing of the transactions contemplated by this Agreement (the “Closing”) shall take place at the offices of CompCare, commencing at 11:00 a.m. EST on January 14, 2009 or within one (1) Business Day following the satisfaction or waiver of all conditions to the obligations of the Parties to consummate the transactions contemplated hereby (other than conditions with respect to actions the respective Parties will take at the Closing itself) or such other place and date as the Parties may mutually determine (the “Closing Date”).

2.1 Actions Prior to or at Closing. At the Closing,

(a) the Seller will deliver to the Buyer

- accompanied by
- (i) stock certificates evidencing the Shares duly endorsed in blank, or an affidavit of lost stock certificates,
 - (ii) stock powers duly executed in blank;
 - (iii) a receipt for the Purchase Price;

(iv) a copy of the resolution of the Seller authorizing this Agreement and the transactions contemplated hereby;

and

(v) a copy of the resolutions of Hythiam, Inc., as the managing member and sole equity holder of the Seller, authorizing this Agreement and the transaction contemplated hereby.

(b) the Buyer will deliver to the Seller

(i) the Purchase Price minus the Deposit, by wire transfer in immediately available funds as directed by the Seller.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF SELLER

The Seller represents and warrants to the Buyer that the statements contained in this Article III are correct and complete as of the Agreement Date and will be correct and complete as of the Closing Date.

3.1 Capacity of Seller. The Seller is a limited liability company duly formed and validly existing under the laws of the State of Delaware. The Seller has full limited liability company power and authority to conduct its business as it is presently conducted, to enter into this Agreement, to carry out the Seller's obligations hereunder and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Seller, and assuming due execution and delivery by the Buyer, this Agreement constitutes a legal, valid and binding obligation of the Seller, enforceable against the Seller in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting rights of creditors generally or by general principles of equity.

3.2 Noncontravention. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will violate any Law to the Seller is subject. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will violate any provision of the articles of incorporation or bylaws (or similar governing documents) of the Seller. The Seller is not a party to any agreement, arrangement or understanding restricting or otherwise relating to the transfer or voting of said Shares. The Seller is not required to give notice to, file with or obtain authorization, consent or approval of any Governmental Entity or any other third party in order for the Seller to perform its obligations under this Agreement.

3.3 Title to Shares. The Shares being sold hereunder are all of the Shares owned by the Seller and the Seller has good and valid title, free and clear of all liens and encumbrances and claims whatsoever to said Shares, and the Seller has full lawful right, power, capacity, and authority to sell, assign, transfer and deliver these Shares to the Buyer pursuant to the terms of this Agreement, to execute and deliver this Agreement, and to consummate the transactions contemplated hereby, and upon acquisition of said Shares by the Buyer pursuant to the terms of this Agreement, the Buyer shall acquire good and valid title to such Shares, free and clear of all liens, encumbrances and claims whatsoever.

3.4 Litigation. There is no suit, action, claim, investigation or proceeding pending, or, to the knowledge of Seller, threatened, against the Seller, nor is there any judgment, decree, injunction or order of any applicable Governmental Entity or arbitrator outstanding against the Seller which prevent or affect the consummation of the transactions contemplated by this Agreement.

3.5 Brokers' Fees. The Seller has no any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement.

**ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYER**

The Buyer represents and warrants to the Seller that the statements contained in this Article IV are correct and complete as of the Agreement Date and will be correct and complete as of the Closing Date.

4.1. Organization, Qualification, and Corporate Power. The Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware.

4.2. Authorization of Transaction. The execution, delivery and performance of this Agreement by the Buyer has been duly authorized and approved by the Buyer's board of directors. The Buyer has full power and authority (including full corporate power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. Assuming due execution and delivery by the Seller, this Agreement constitutes the valid and legally binding obligation of the Buyer, enforceable in accordance with its terms and conditions.

4.3. Investment. The Shares are being acquired by the Buyer in a private transaction for its own account and not with a view to, or for offer or resale in connection with, any distribution within the meaning of Section 2(11) of the Securities Act. The Buyer hereby acknowledges that the Shares are unregistered and must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. The Buyer acknowledges and agrees that it will not make any disposition of the Shares which will or may involve any of the Companies or the Seller in a violation of the Securities Act, the Securities Exchange Act or of any state securities laws. The Buyer is an Accredited Investor as such term is defined in Rule 501 promulgated under the Securities Act, is able to hold the Shares indefinitely and bear the loss of the entire Purchase Price and the entire value of the Shares.

4.4. Risks of Investment. The Buyer is a sophisticated investor with knowledge and experience in business and financial matters, has reviewed the public reports filed by CompCare with the SEC under the Securities Exchange Act, including the going-concern disclosures, forward-looking statements and risk factors contained therein, and has had the opportunity to obtain additional information as desired in order to evaluate the merits and risks in holding the Shares. Seller has made no representations or warranties to Buyer regarding the business, financial condition or prospects of CompCare, and the Buyer has not relied on any representations or warranties with respect to the value of the Shares or the current or further business, condition or prospects of CompCare.

4.5. Brokers' Fee. The Buyer has no liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transaction contemplated by this Agreement.

**ARTICLE V
COVENANTS; ADDITIONAL AGREEMENTS**

5.1 General. Each of the Parties will use its reasonable best efforts to take all action and to do all things necessary in order to consummate and make effective the transactions contemplated by this Agreement (including satisfaction, but not waiver, of the closing conditions set forth in Article VI).

5.2 Regulatory Matters and Approvals. Each of the Parties will give any notices to, make any filings with, and use its reasonable best efforts to obtain any authorizations, consents and approvals of Governmental Entities or other third parties which may be required to consummate the transactions contemplated by this Agreement.

5.3 Exclusivity. Until the earlier of January 16, 2009 or the termination of this Agreement, the Seller will not initiate the submission of any proposal or offer from any Person relating to the acquisition of all or substantially all of the Shares.

5.4 Resignation of Incumbent Directors. At Closing, Buyer shall have received the resignation of the Incumbent Directors as directors of CompCare or from any other offices the Incumbent Directors hold with respect to CompCare, effective as of the Closing.

5.5 Further Assurances. Following the Closing, each Party agrees to cooperate fully with the other Party and to execute such further instruments, documents and agreements and to give such further written assurances, as may be reasonably requested by any other Party at that other Party's cost to give effect to the transactions described herein and contemplated hereby.

ARTICLE VI CONDITIONS TO OBLIGATION TO CLOSE

6.1 Conditions to Obligation of the Buyer. The obligation of the Buyer to consummate the transactions to be performed by it in connection with the Closing is subject to the satisfaction of the following conditions:

- (a) the representations and warranties of the Seller set forth in this Agreement shall be true and correct in all material respects at and as of the Closing;
- (b) the Seller shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;
- (c) there shall not be any judgment, order, decree, stipulation, injunction or charge in effect preventing consummation of any of the transactions contemplated by this Agreement;
- (d) no litigation shall be pending (i) challenging or seeking to delay the consummation of any of the transactions contemplated by this Agreement, or (ii) asserting the illegality of or seeking to render unenforceable any material provision of this Agreement;
- (e) the Buyer shall have received the resignations, effective as of the Closing Date, or evidence of removal as of the Closing, of the Incumbent Directors as directors of CompCare and each subsidiary thereof, and from any other offices the Incumbent Directors hold with respect to CompCare or any subsidiary thereof;
- (f) the Buyer shall have received the documents set forth in Section 2.4 required to be delivered by the Seller; and
- (g) all actions to be taken by the Seller in connection with the consummation of the transactions contemplated hereby and all certificates, opinions, instruments and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to the Buyer.

The Buyer may waive any condition specified in this Section 6.1 by a writing so stating delivered to the Seller at or prior to the Closing.

6.2 Conditions to Obligation of Seller. The obligation of the Seller to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

- (a) the representations and warranties of the Buyer set forth in this Agreement shall be true and correct in all material respects at and as of the Closing Date;
- (b) the Buyer shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;
- (c) there shall not be any judgment, order, decree, stipulation, injunction or charge in effect preventing consummation of any of the transactions contemplated by this Agreement;

(d) the Buyer shall have delivered to the Seller the Purchase Price;

(e) all actions to be taken by the Buyer in connection with the consummation of the transactions contemplated hereby and all certificates, opinions, instruments and other documents required to effect the transactions contemplated hereby will be reasonable satisfactory in form and substance to the Seller.

The Seller may waive any condition specified in this Section 6.2 by a writing so stating delivered to the Buyer at or prior to the Closing.

6.3 Deemed Waiver. If either Party is not obligated to consummate the Closing pursuant to this Agreement, but nevertheless elects to consummate the Closing, and the other Party is obligated to consummate the Closing, the Parties shall proceed with the consummation of the Closing as if all Parties were obligated to do so, and the Party who is not obligated to proceed but elects to do so shall be deemed to have specifically waived in writing, as provided in Section 6.1 and Section 6.2, as the case may be, the fulfillment of the condition or conditions, the nonfulfillment of which excused the obligation of said Party to perform pursuant to this Agreement as contemplated by Section 6.1 and Section 6.2, as the case may be.

ARTICLE VII TERMINATION

7.1 Termination of Agreement. The Parties may terminate this Agreement as provided below:

(a) the Parties may terminate this Agreement by mutual written consent at any time prior to the Closing Date;

(b) the Buyer (if the Buyer is not then in breach of this Agreement) may terminate this Agreement by giving written notice to the Seller at any time prior to Closing in the event the representations and warranties of the Seller set forth in this Agreement shall not be true and correct in all material respects;

(c) the Seller (if the Seller is not then in breach of this Agreement) may terminate this Agreement by giving written notice to the Seller at any time prior to Closing in the event the representations and warranties of the Buyer set forth in this Agreement;

(d) Either of the Parties may terminate this Agreement if any court or Governmental Entity has issued a final and non-appealable order, decree or ruling permanently restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement.

7.2 Effect of Termination.

(a) Except as hereinafter provided in this Section 7.2, if the Parties terminates this Agreement pursuant to Section 7.1(a), all rights and obligations of the Parties hereunder shall terminate without any liability of either Party.

(b) In the event the Buyer terminates this Agreement pursuant to Section 7.1(b), the Buyer shall be entitled to pursue all legal and equitable remedies against the Seller for such breach or failure to perform, including, but not limited to, specific performance.

(c) In the event the Seller terminates this Agreement pursuant to Section 7.1(c), the Seller shall be entitled to pursue all legal and equitable remedies against the Buyer for such breach or failure to perform, including, but not limited to, specific performance.

(d) All costs, fees and expenses (including reasonable attorneys' fees and expenses) incurred by the nonbreaching Party in connection with enforcing its rights hereunder with respect to a breach shall be paid by the breaching Party.

ARTICLE VIII SURVIVAL; INDEMNIFICATION

8.1 Survival. The Parties agree that the representations and warranties contained in this Agreement shall survive the Closing

8.2 Indemnification of the Buyer. From and after the Closing:

The Seller agrees to indemnify the Buyer and hold it harmless against and in respect of any and all damages, losses, expenses, costs, obligations and liabilities, including reasonable attorneys' fees (collectively, "**Losses**"), incurred by the Buyer that arise or result from (as determined in each case by an order of a court of competent jurisdiction or by written agreement of the Seller and the Buyer) any breach of any of the representations or warranties contained in this Agreement or contained in any document delivered at the Closing by the Seller pursuant to this Agreement.

8.3 Indemnification of the Seller. From and after the Closing, the Buyer agrees to indemnify the Seller and hold the Seller harmless against and in respect of any and all Losses which arise or result from any breach of any of the representations or warranties of the Buyer contained in this Agreement or in any document delivered pursuant to this Agreement.

ARTICLE IX MISCELLANEOUS

9.1 Press Releases and Public Announcements. Neither Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the other Party; provided, however, that either Party may make any public disclosure it believes in good faith is required by applicable law or any listing or trading agreement concerning its publicly-traded securities (in which case the disclosing Party will use its best efforts to advise the other Party prior to making the disclosure).

9.2 No Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

9.3 Agreement. This Agreement constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements or representations by or among the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.

9.4 Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other Party.

9.5 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. For purposes hereof, facsimile copies hereof and facsimile signatures hereof shall be authorized and deemed effective.

9.6 Headings. The Section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

9.7 Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed duly given upon receipt if it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to Seller:

Woodcliff Healthcare Investment Partners, LLC
c/o Hythiam, Inc., its Managing Member
11150 Santa Monica Boulevard, Suite 1500
Los Angeles, California 90025
Attn: Rick Anderson, President & COO
Fax: (310) 444-5300
Email: randerson@hythiam.com

If to Buyer:

Core Corporate Consulting Group, Inc.
8401 Colesville Road
Suite 640
Silver Spring, Maryland 20910
Attn: Clark Marcus
Fax:
Email: clark@cccg.biz

Either Party may also send any notice, request, demand, claim or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail or electronic mail), but no such notice, request, demand, claim or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Either Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

9.8 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

9.9 Amendments and Waivers. The Parties may mutually amend any provision of this Agreement at any time prior to the Closing. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each of the Parties. No waiver by either Party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent occurrence.

9.10 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

9.11 Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring either Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules

and regulations promulgated thereunder, unless the context otherwise requires. The word “including” shall mean including without limitation.

9.12 Fees and Expenses. Except as otherwise provided herein, the reasonable costs, fees and expenses incurred in connection with the negotiation, drafting and execution of this Agreement and the consummation of the transactions contemplated hereby (including the reasonable fees and expenses of counsel, accountants and appraisers) shall be paid by the Party incurring such fees or expenses.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date first above written.

Core Corporate Consulting Group, Inc.

By: /s/ Clark A. Marcus
Name: Clark A. Marcus
Its: President

Woodcliff Healthcare Investment Partners, LLC

By: Hythiam, Inc.
Its: Managing Member

By: /s/ Terren S. Peizer
Name: Terren S. Peizer
Its: Chairman & CEO