

First Physicians Capital Group Reports Fiscal 2010 Third Quarter Results

Fiscal 2010 Third Quarter Net Revenue from Services of \$10.4 million with Adjusted EBITDA from Operations before Corporate Overhead of \$0.8 million. Current Net Revenue Run Rate of \$41 million.

Friday, August 20, 2010

BEVERLY HILLS, Calif. – August 20, 2010 – First Physicians Capital Group, Inc. (“FPCG” or the “Company”) (OTC BB: FPCG), an operator of healthcare services firms primarily in rural and suburban markets in the U.S., reported results for the Company’s third fiscal quarter ended June 30, 2010.

Financial highlights for the third fiscal quarter include:

- Net Revenue from Services of \$10.4 million in the third quarter of Fiscal 2010 and \$30.3 million in the nine month period ended June 30, 2010. This represented a 12.6% increase from \$9.2 million for the third quarter of Fiscal 2009 and a 0.3% increase from \$30.2 million for the nine month period ended June 30, 2009.
- Adjusted EBITDA from Operations before Corporate Overhead of \$0.8 million in the third quarter of Fiscal 2010 and \$2.7 million in the nine month period ended June 30, 2010. This represented a 36.8% increase from \$0.6 million for the third quarter of Fiscal 2009 and a 35.5% decrease from \$4.2 million for the nine month period ended June 30, 2009.
- Total FPCG and SPMG corporate overhead expenses of \$1.4 million in the third quarter of Fiscal 2010 and \$4.7 million in the nine month period ended June 30, 2010. We have reduced total corporate overhead expenses in the third quarter of Fiscal 2010 by \$0.8 million or 35.2% from the Fiscal 2009 third quarter total of \$2.1 million. We have reduced total corporate overhead expenses in the nine month period ended June 30, 2010 by \$1.7 million or 26.3% from \$6.4 million for the nine month period ended June 30, 2009. We continue to aggressively drive reductions in overhead and operating expenses at both local market and corporate levels.

We continue to make progress on key strategic initiatives and transactions initiated as part of our Fiscal 2010 growth plan. Updates include:

- Received lender and regulatory approvals on the internal sale-leaseback of FPCG’s three critical access hospitals in Oklahoma to our real estate subsidiary (First Physicians Realty Group). We anticipate closing this transaction in September 2010.
- Received Letter of Intent (LOI) from a large, not-for-profit hospital system for the purchase of certain non-strategic operations and real estate assets within our portfolio of assets in Oklahoma.
- The Company expects to issue a strategic update to our shareholders at the end of this fiscal year regarding the status of our ongoing acquisitions.
- Expanded management team with the hiring of Sean Kirrane as VP Finance & Controller of FPCG. Mr. Kirrane brings over 10 years of experience in senior finance and accounting roles for large publicly traded companies, including financial services and insurance firms such as Endurance Specialty Holdings, Ltd. (NYSE: ENH) and New York Mortgage Trust, Inc. (Nasdaq: NYMT), where he was



responsible for designing and managing global treasury, budgeting and forecasting, and debt management functions.

Important Notice

It should be noted that EBITDA, Adjusted EBITDA from Operations, FPCG corporate expense, and SPMG corporate expense are financial measures that are not recognized under accounting principles generally accepted in the United States of America (GAAP). Adjusted EBITDA from Operations, FPCG corporate expense, and SPMG corporate expense should not be considered as an alternative to, or more meaningful than, net income, operating income, cash flows from operations or other traditional indications of a company's operating performance or liquidity that are derived in accordance with GAAP. In addition, the Company's calculation of Adjusted EBITDA from Operations, FPCG corporate expense, and SPMG corporate expense may not be comparable to similarly titled measures being disclosed by other companies, limiting their usefulness as comparative measures. The Company discloses Adjusted EBITDA from Operations as it is a commonly referred to financial metric used in the investing community to evaluate the performance of companies in our industry. The Company believes that disclosure of Adjusted EBITDA from Operations is helpful to those reviewing its performance, as Adjusted EBITDA from Operations provides information on the Company's ability to meet debt service, capital expenditures and working capital requirements and management believes that Adjusted EBITDA from Operations is also a useful indicator of the Company's operating performance. The Company believes that disclosure of FPCG corporate expense and SPMG corporate expense is helpful to those reviewing its performance, as FPCG corporate expense and SPMG corporate expense provide information on the Company's management and control of its overhead expenses.

To better facilitate comparisons from reporting period to reporting period on the productivity of our healthcare facilities operations, a non-GAAP supplemental chart is provided below. These financials reconcile to our GAAP results contained in our periodic filings with the SEC. We highlight for our investors and partners the following:

- Net Revenue from Services
- Healthcare facilities EBITDA before Bad Debt expense
- Bad Debt expense
- Adjusted EBITDA from Operations before Corporate Overhead
- SPMG Corporate Expense, our overhead expense at the SPMG operating subsidiary headquartered in Oklahoma City, OK
- FPCG Corporate Expense, our overhead expense at the corporate holding company

	Fiscal Quarter Ended		Nine Months Ended		Fiscal Year Ended	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	9/30/2009	9/30/2008
Net Revenue From Services, excluding potential divested assets (Note 1)	\$9,414,525	\$8,275,158	\$27,479,293	\$26,601,972	\$34,559,323	\$25,665,027
Net Revenue From Services from potential divested assets	939,078	919,866	2,806,736	3,593,869	4,530,485	3,976,177
Total Net Revenue From Services	\$10,353,603	\$9,195,024	\$30,286,029	\$30,195,841	\$39,089,808	\$29,641,204
Healthcare facilities EBITDA before Bad Debt Expense	\$2,299,827	\$1,629,341	\$6,531,269	\$6,994,147	\$8,315,761	\$6,298,317
Bad Debt expense	(1,469,659)	(1,022,457)	(3,853,180)	(2,843,556)	(3,870,996)	(3,286,955)
Adjusted EBITDA from Operations before Corporate Overhead	830,168	606,884	2,678,089	4,150,591	4,444,765	3,011,362
SPMG Corporate Expense (operating company)	(770,847)	(1,107,981)	(2,665,190)	(3,745,128)	(4,997,934)	(3,537,860)
FPCG Corporate Expense	(610,859)	(1,025,483)	(2,030,648)	(2,623,408)	(3,606,948)	(2,245,258)
Total Corporate Overhead Expense	(1,381,706)	(2,133,464)	(4,695,838)	(6,368,536)	(8,604,882)	(5,783,118)
Adjusted EBITDA from Operations	(551,538)	(1,526,580)	(2,017,749)	(2,217,945)	(4,160,117)	(2,771,756)
Non-Cash Charges and Other Items to Reconcile to Net Income						
Interest Income and Other	9,137	118,096	22,943	212,227	20,932	306,870
Interest Expense	(356,399)	(814,582)	(1,534,468)	(1,383,113)	(2,007,058)	(800,435)
Depreciation & Amortization	(323,538)	(257,366)	(936,303)	(707,330)	(992,910)	(627,364)
Amort. of Stock Based Comp	(248,132)	(471,486)	(793,861)	(987,899)	(1,245,252)	(339,190)
Preferred Dividend – BCF	-	(316,877)	(47,629)	(316,877)	(316,877)	(2,877,654)
Restructure (Severance)	-	(129,758)	(154,479)	(438,716)	(429,641)	-
Noncontrolling interests	(257,793)	37,097	(753,877)	(199,082)	(176,604)	1,367,890
Impairment Expense	-	-	-	-	(208,942)	(308,022)
Gain (Loss) on Sale of Investments	-	-	-	(280,614)	(280,614)	-
One-time charges	-	-	(173,886)	-	-	(50,000)
Insurance proceeds	-	-	429,105	-	-	-
Payments to physicians related to purchase agreement	(170,051)	(100,490)	(302,909)	(262,990)	(337,990)	(81,250)
Other closed facility expense	12,424	(13,441)	(11,273)	(37,203)	(54,391)	(957,150)
Total Non-Cash Charges and Other Items to Reconcile to Net Income	(1,334,352)	(1,948,807)	(4,256,637)	(4,401,597)	(6,029,347)	(4,366,305)
Net Income (Loss) excluding potential divested assets (Note 1)	(1,885,890)	(3,475,387)	(6,274,386)	(6,619,542)	(10,189,464)	(7,138,061)
Net Income (Loss) from potential divested assets	(172,005)	(233,635)	(641,397)	124,569	(178,596)	27,165
Net Income (Loss)	\$(2,057,895)	\$(3,709,022)	\$(6,915,783)	\$(6,494,973)	\$(10,368,060)	\$(7,110,896)

Note 1: FPCG plans to divest certain non-strategic and non-core operating assets in Fiscal 2010. The financial table provided above presents results excluding the potential divested assets and a reconciliation to Net Revenue from Services and Net Income as reported in FPCG's Fiscal 2010 Third Quarter 10-Q filing.



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About First Physicians Capital Group, Inc.

First Physicians Capital Group, Inc. provides financial and managerial services to physicians, physician groups, and healthcare delivery centers in rural and suburban markets in the U.S. The Company is building a portfolio of interests in healthcare services operations outside the traditional urban hospital setting. FPCG promotes quality medical care by offering improved access and breadth of services. It unlocks the value of its investments by developing strong, long-term and mutually beneficial relationships with their physicians and the communities they serve. For more information, please visit <http://www.firstphysicianscapitalgroup.com>.

Safe-Harbor Statement under the Private Securities Litigation Reform Act of 1995: This press release may contain forward-looking information within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including all statements that are not statements of historical fact regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things: (i) the Company's financing plans; (ii) trends affecting the Company's financial condition or results of operations; (iii) the Company's growth strategy and operating strategy; and (iv) the declaration and payment of dividends. The words "may," "would," "will," "expect," "estimate," "anticipate," "believe," "intend" and similar expressions and variations thereof are intended to identify forward-looking statements. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, many of which are beyond the Company's ability to control, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors including the risks disclosed in the Company's Forms 10-K and 10-Q filed with the Securities Exchange Commission.