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FOR IMMEDIATE RELEASE**PROSPECT MEDICAL HOLDINGS REPORTS RECORD FISCAL 2010 FIRST QUARTER FINANCIAL RESULTS****Conference Call Scheduled for Wednesday, February 17 at 4:15 pm ET / 1:15 pm PT****Q1 FY 2010 Highlights Compared to Q1 FY 2009**

- Revenues increased 39% to \$116.1 million from \$83.5 million
- Operating income increased 19% to \$11.8 million from \$9.9 million
- Net income increased to \$2.9 million, or \$0.13 per diluted share
- Quarterly Adjusted EBITDA increased 26% to \$15.1 million from \$12.0 million
- Trailing Twelve Month (TTM) Adjusted EBITDA rose to \$56.5 million
- Cash and investments increased to \$45.0 million at December 31, 2009

Los Angeles, CA – February 16, 2010 – Prospect Medical Holdings, Inc. (NASDAQ: PZZ) (“Prospect” or the “Company”), which owns and operates five hospitals and manages the medical care of approximately 173,000 HMO enrollees in southern California, today announced financial results for its fiscal 2010 first quarter ended December 31, 2009.

Prospect’s results for the first quarter of fiscal 2010 were highlighted by double-digit increases in revenues, operating income and Adjusted EBITDA, as well as a \$6.3 million increase in net income. These results reflect the Company’s continuing progress in delivering high quality patient care within its Hospital and Medical Group segments, diversifying revenues, managing costs and improving its already strong financial position. Adjusted EBITDA rose to \$15.1 million for the quarter and \$56.5 million for the trailing twelve months.

The Company’s Hospital Segment grew both organically and through acquisition, while the Medical Group Segment, even with lower commercial enrollment, maintained strong profitability by retaining and increasing senior enrollment and managing costs. Cash and investments were \$45.0 million at December 31, 2009, an increase of approximately \$5.2 million for the quarter, and the Company’s \$15 million revolving credit facility remains undrawn.

Prospect’s operating model continues to prove successful despite a difficult southern California market, with respect to competition, reimbursement and regulation. Moreover, the Company believes that the current economic and legislative environment is creating organic and acquisition-based opportunities for well-capitalized and well-managed hospital operators, such as Prospect.

CONSOLIDATED RESULTS OVERVIEW

Consolidated revenues for the fiscal 2010 first quarter rose 39% to \$116.1 million from \$83.5 million in the same period last year, inclusive of acquisition and “same-store” revenue growth.

Operating income for the fiscal 2010 first quarter rose 19% to \$11.8 million from \$9.9 million in the same period last year, primarily driven by a \$3.5 million rise in operating income at the Hospital Segment.

Net income attributable to common stockholders was \$2.9 million, or \$0.13 per diluted share for the fiscal 2010 first quarter, on approximately 21.8 million diluted shares outstanding. This compared to a net loss attributable to common stockholders of \$3.4 million, or \$0.17 per diluted share, in the fiscal 2009 first quarter, on approximately 20.5 million diluted shares outstanding, inclusive of \$9.7 million in charges related to interest rate swap arrangements, now terminated.

Adjusted EBITDA for the first quarter of fiscal 2010 was \$15.1 million, up 26% from Adjusted EBITDA of \$12.0 million in the prior year period (see reconciliation tables at the back of this release).

SEGMENT RESULTS

Hospital Services

Prospect’s Hospital Services segment consists of the Company’s five hospitals in southern California, including Brotman Medical Center’s since April 14, 2009.

(\$ in 000s)	Three Months Ended	
	December 31,	
	2009	2008
	(unaudited)	
Net hospital services revenues.....	\$ 69,412	\$ 35,323
Operating expenses:		
Hospital operating expenses.....	49,668	22,146
General and administrative.....	5,958	3,167
Depreciation and amortization.....	1,205	892
Total operating expenses.....	<u>56,831</u>	<u>26,205</u>
Operating income	<u>\$ 12,581</u>	<u>\$ 9,118</u>

Fiscal 2010 first quarter Hospital revenues increased by 97% to \$69.4 million, with the inclusion of revenues from Brotman, as well as increased “same-store” revenues at the Company’s core Alta hospitals. Same store revenue growth was generated through increased admissions, patient days and revenue per patient day.

Hospital operating income for the first quarter of fiscal 2010 rose 38% to \$12.6 million from \$9.1 million in the first quarter of fiscal 2009, including both acquisition and organic growth.

Medical Groups

Prospect's Medical Groups manage the medical care of individuals enrolled in HMO plans in southern California, through a network of primary care and specialist physicians.

(\$ in 000s)	Three Months Ended December 31,	
	2009	2008
	(unaudited)	
Total medical group revenues	\$46,684	\$48,131
Total medical group cost of revenues	36,845	37,612
Gross margin	9,839	10,519
General and administrative	6,672	7,196
Depreciation and amortization.....	868	871
Total non-medical expenses	7,540	8,067
Income from unconsolidated joint venture....	450	353
Operating income	\$2,749	\$2,805

Medical Group revenues for the first quarter of fiscal 2010 declined to \$46.7 million from \$48.1 million in the first quarter fiscal of 2009, primarily resulting from lower Commercial enrollment given current higher unemployment levels and cancellation of certain unprofitable Medi-Cal contracts.

Gross margin decreased slightly, to 21.1% from 21.9% in the first quarter of fiscal 2009, primarily as a result of unusually large insurance recoveries in the prior year period.

Medical Group operating income for the fiscal 2010 first quarter decreased slightly, to \$2.7 million from \$2.8 million in the first quarter of fiscal 2009, reflecting the impact of the items discussed above, as well as lowered general and administrative costs, as the Company continues to consolidate certain administrative functions among its Medical Groups.

Use of Adjusted EBITDA

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) is not a measure of financial performance under generally accepted accounting principles ("GAAP"). Management believes Adjusted EBITDA, in addition to operating income, net income and other GAAP measures, is a useful indicator of Prospect's financial and operating performance and its ability to generate cash flows from operations that are available for interest, taxes and capital expenditures. Investors should recognize that Adjusted EBITDA might not be comparable to similarly-titled measures of other companies. This measure should be considered in addition to, and not as a substitute for, or superior to, any measure of performance prepared in accordance with GAAP. Reconciliations of Adjusted EBITDA amounts to the most directly comparable GAAP measures for each of the quarterly periods presented are included in the financial information provided as part of this release.

CONFERENCE CALL

Management will host a conference call on Wednesday, February 17, 2010 at 4:15 pm ET / 1:15 pm PT, to discuss these results, current operating initiatives, and initiatives for 2010. Interested parties may participate in the call by dialing (866) 267-2584 (Domestic) or (706) 634-4739 (International) approximately 10 minutes before the call is scheduled to begin and ask to be connected to the Prospect Medical Holdings conference call.

The conference call will be broadcast live over the Internet at the following link:

<http://investor.shareholder.com/media/eventdetail.cfm?eventid=77667&CompanyID=PROSPECT&e=1&mediaKey=FD1088B6F9BDB79FFAEA6E426404E661>

To listen to the live call on the Internet, go to the web site at least 15 minutes early to register, download and install any necessary audio software. If you are unable to participate in the live call, the conference call will be archived and can be accessed for approximately 30 days.

ABOUT PROSPECT MEDICAL HOLDINGS

Prospect Medical Holdings owns and operates five hospitals in the greater Los Angeles area and manages the medical care of approximately 173,000 HMO enrollees in Southern California, through its network of specialist and primary care physicians.

Prospect Medical Holdings' website can be found at www.ProspectMedicalHoldings.com.

This press release contains forward-looking statements. Additional written or oral forward-looking statements may be made by Prospect from time to time, in filings with the Securities and Exchange Commission, or otherwise. Statements contained herein that are not historical facts are forward-looking statements. Investors are cautioned that forward-looking statements, including the statements regarding anticipated or expected results, involve risks and uncertainties which may affect the Company's business and prospects, including those outlined in Prospect's Form 10-K filed on December 21, 2009, Form 10-Q filed on February 16, 2010 and other filings. Any forward-looking statements contained in this press release represent our estimates only as of the date hereof, or as of such earlier dates as are indicated, and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our estimates change.

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Prospect Medical Holdings, Inc.
Condensed Consolidated Statements of Operations
(\$ in 000s, except per share data)
(Unaudited)

	Three Months Ended December 31,	
	2009	2008
Revenues:		
Net hospital services revenues	\$ 69,412	\$ 35,323
Medical group revenues	46,684	48,131
Total revenues	116,096	83,454
Operating expenses:		
Hospital operating expenses	49,668	22,146
Medical group cost of revenues	36,845	37,612
General and administrative	16,128	12,385
Depreciation and amortization	2,078	1,766
Total operating expenses	104,719	73,909
Operating income from unconsolidated joint venture	450	353
Operating income	11,827	9,898
Other (income) expense:		
Investment income	(29)	(48)
Interest expense and amortization of deferred financing costs	6,889	6,138
Loss in value of interest rate swap arrangements	—	9,668
Total other (income) expense, net	6,860	15,758
Income (loss) before income taxes	4,967	(5,860)
Provision (benefit) for income taxes	2,503	(2,419)
Net income (loss)	2,464	(3,441)
Net income (loss) attributable to noncontrolling interest	(395)	4
Net income (loss) attributable to Prospect Medical Holdings, Inc.	\$ 2,859	\$ (3,445)
Per share data:		
Net income (loss) attributable to Prospect Medical Holdings, Inc. per common share		
Basic	\$ 0.14	\$ (0.17)
Diluted	\$ 0.13	\$ (0.17)
Weighted average shares outstanding:		
Basic	20,654	20,508
Diluted	21,828	20,508

Prospect Medical Holdings, Inc.
Condensed Consolidated Balance Sheets
(\$ in 000s)

	December 31, 2009	September 30, 2009
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 42,389	\$ 37,768
Restricted cash	1,983	1,395
Investments, primarily restricted certificates of deposit	634	665
Patient accounts receivable, net of allowance for doubtful accounts of \$13,090 and \$11,715 at December 31, 2009 and September 30, 2009	42,344	36,806
Government program receivables	2,943	4,852
Risk pool receivables	120	—
Other receivables	1,561	1,655
Third party settlements	379	1,575
Notes receivable, current portion	57	56
Refundable income taxes, net	—	1,558
Deferred income taxes, net	6,644	6,644
Inventories	4,151	4,137
Prepaid expenses and other current assets	6,784	5,380
Total current assets	109,989	102,491
Property, improvements and equipment:		
Land and land improvements	31,028	31,028
Buildings	23,920	23,665
Leasehold improvements	2,032	2,029
Equipment	20,930	20,255
Furniture and fixtures	891	913
	78,801	77,890
Less accumulated depreciation and amortization	(14,935)	(14,166)
Property, improvements and equipment, net	63,866	63,724
Notes receivable, less current portion	343	357
Deposits and other assets	301	694
Deferred financing costs, net	7,785	8,205
Goodwill	153,250	153,250
Other intangible assets, net	45,325	46,425
Total assets	\$ 380,859	\$ 375,146

Prospect Medical Holdings, Inc.
Condensed Consolidated Balance Sheets
(\$ in 000s, except par and share data)

(continued)

	December 31, 2009	September 30, 2009
LIABILITIES AND SHAREHOLDERS' EQUITY	(Unaudited)	
Current liabilities:		
Accrued medical claims and other health care costs payable	\$ 15,784	\$ 16,824
Accounts payable and other accrued liabilities	34,683	31,773
Accrued salaries, wages and benefits	22,206	24,903
Due to government payer	13,834	13,834
Income taxes payable, net	381	—
Current portion of capital leases	836	820
Current portion of long-term debt	5,543	3,805
Other current liabilities	954	629
Total current liabilities	94,221	92,588
Long-term debt, net of current portion	172,594	172,539
Deferred income taxes	29,975	29,975
Malpractice reserve	2,821	2,824
Capital leases, net of current portion	956	569
Other long-term liabilities	166	162
Total liabilities	300,733	298,657
Commitments, Contingencies and Subsequent Event		
Shareholders' equity:		
Prospect Medical Holdings, Inc.'s shareholders' equity		
Common stock, \$0.01 par value; 40,000,000 shares authorized; 20,761,944 and 20,619,278 shares issued and outstanding at December 31, 2009 and September 30, 2009, respectively	208	206
Additional paid-in capital	95,669	94,498
Accumulated deficit	(15,444)	(18,303)
Total Prospect Medical Holdings, Inc.'s shareholders' equity	80,433	76,401
Noncontrolling interest	(307)	88
Total shareholders' equity	80,126	76,489
Total liabilities and shareholders' equity	\$ 380,859	\$ 375,146

**Adjusted EBITDA Reconciliation
(Unaudited) (\$ in millions)**

A reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure in accordance with SEC Regulation G follows, for certain fiscal year and quarterly periods.

	<u>FY 08</u>	<u>Q1 09</u>	<u>Q2 09</u>	<u>Q3 09</u>	<u>Q4 09</u>	<u>Q1 10</u>
Operating income – per earnings release	\$ 23.3	\$ 9.9	\$ 11.6	\$ 6.7	\$ 12.0	\$ 11.8
Depreciation and amortization	7.8	1.8	1.8	2.2	2.1	2.1
Prior CEO severance	1.3					
Stock based compensation	1.3	0.3	0.3	0.2	0.2	1.2
All other adjustments ⁽¹⁾	<u>6.4</u>	<u> </u>	<u>0.3</u>	<u>3.7</u>	<u>0.3</u>	<u> </u>
Adjusted EBITDA – Quarterly	<u>N/A</u>	<u>\$ 12.0</u>	<u>\$ 14.0</u>	<u>\$ 12.8</u>	<u>\$ 14.6</u>	<u>\$ 15.1</u>
Adjusted EBITDA – Trailing Twelve Month (TTM)	<u>\$ 40.1</u>	<u>\$ 43.7</u>	<u>\$ 47.8</u>	<u>\$ 50.4</u>	<u>\$ 53.4</u>	<u>\$ 56.5</u>
Net Debt: Adjusted TTM EBITDA Ratio:						
Ending Debt						\$ 178.1
Less: Ending cash and investments						<u>(45.0)</u>
Ending Net Debt						<u>\$ 133.1</u>
Net Debt: Adjusted TTM EBITDA Ratio						<u>2.4</u>

- (1) Comprised of amounts considered by management to be non-recurring, including certain legacy operating costs, prior lender costs, and non-recurring transaction costs.