

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Apollo Medical Holdings, Inc.

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2016

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT

For the transition period from _____ to _____

Commission File No.
001-37392

Apollo Medical Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware **20-8046599**
State of Incorporation IRS Employer Identification No.

700 North Brand Blvd., Suite 1400
Glendale, California 91203
(Address of principal executive offices)

(818) 396-8050
(Issuer's telephone number)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each Class Name of each Exchange on which Registered
None

Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock, \$0.001 Par Value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act
Yes " No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.
Yes " No x

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that registrant was required to submit and post such files).
Yes x No "

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein and, will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer " Accelerated filer " Non-accelerated filer " Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes " No x

The aggregate market value of the shares of voting common stock held by non-affiliates of the Registrant computed by reference to the price at which the common stock was last sold on OTC Pink September 30, 2015, the last business day of the Registrant's most recently completed second fiscal quarter, was \$16,523,045. Solely for purposes of the foregoing calculation, all of the registrant's directors and officers as of September 30, 2015 are deemed to be affiliates. This determination of affiliate status for this purpose does not reflect a determination that any persons are affiliates for any other purpose.

As of June 27, 2016, there were 5,745,036 shares of common stock, \$0.001 par value per share, issued and outstanding; 1,111,111 shares of Series A Preferred Stock, \$0.001 par value per share, issued and outstanding; and 555,555 shares of Series B Preferred Stock, \$0.001 par value per share, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information called for by Part III is incorporated by reference to the definitive Proxy Statement for the 2016 Annual Meeting of Stockholders of the Company to be filed with the Securities and Exchange Commission not later than 120 days after March 31, 2016.

APOLLO MEDICAL HOLDINGS, INC.
FORM 10-K
FOR THE YEAR ENDED MARCH 31, 2016

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PART I

INTRODUCTORY COMMENT

Unless the context dictates otherwise, references in this Annual Report on Form 10-K (the "Report") to the "Company," "we," "us," "our", "Apollo", "ApolloMed" and similar words are to Apollo Medical Holdings, Inc., and its wholly owned subsidiaries and affiliated medical groups.

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of our results of operations and financial operations. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere herein, and with our prior filings with the Securities and Exchange Commission (the "SEC").

FORWARD-LOOKING STATEMENTS

This document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements involve risks and uncertainties. We caution that these statements are further qualified by important economic, competitive, governmental and technological factors that could cause our business, strategy, or actual results or events to differ materially, or otherwise, from those in the forward-looking statements in this Report.

Forward-looking statements may include the words "anticipate," "could," "may," "might," "potential," "predict," "should," "estimate," "expect," "project," "believe," "think," "plan," "envision," "intend," "continue," "target," "contemplate," "budgeted," "will" and other similar or comparable words, phrases or terminology. These forward-looking statements present our estimates and assumptions only as of the date of this report. Except for our ongoing obligation to disclose material information as required by the federal securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. Some of the key factors impacting these risks and uncertainties include, but are not limited to:

- Our ability to raise capital when needed to finance our ongoing operations and new acquisitions;
- Our ability to retain key individuals, including our Chief Executive Officer, Warren Hosseinion, M.D.;
- Our ability to locate, acquire and integrate new businesses;
- The impact of intense competition in the healthcare industry;
 - Our reliance on a few key payors; and
 - Changing rules and regulations regarding reimbursements for medical services from private insurance, on which we are significantly dependent in generating revenue;
 - Changing government programs in which we participate for the provision of health services and on which we are also significantly dependent in generating revenue;

Industry-wide market factors, laws, regulations and other developments affecting our industry in general and our operations in particular;

- General economic uncertainty;
- The impact of any potential future impairment of our assets;
- Risks related to changes in accounting interpretations; and
- The impact, including additional costs, of mandates and other obligations that may be imposed upon us as a result of new federal healthcare laws, including the Patient Protection and Affordable Care Act (the “ACA”), the rules and regulations promulgated thereunder and any executive action with respect thereto.

We operate in a rapidly changing industry segment. As a result, our ability to predict results, or the actual effect of future plans or strategies, based on historical results or trends or otherwise, is inherently uncertain. While we believe that the forward-looking statements herein are reasonable, they are merely predictions or illustrations of potential outcomes, and they involve known and unknown risks and uncertainties, many beyond our control, that are likely to cause actual results, performance, or achievements to be materially different from those expressed or implied by such forward-looking statements. For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see “Risk Factors,” beginning at page 29 below.

ITEM 1. BUSINESS

OVERVIEW

ApolloMed is a patient-centered, physician-centric integrated population health management company working to provide coordinated, outcomes-based medical care in a cost-effective manner. Led by a management team with over a decade of experience, ApolloMed has built a company and culture that is focused on physicians providing high-quality medical care, population health management and care coordination for patients, particularly senior patients and patients with multiple chronic conditions. We believe that ApolloMed is well-positioned to take advantage of changes in the rapidly evolving U.S. healthcare industry, as there is a growing national movement towards more results-oriented healthcare centered on the triple aim of patient satisfaction, high-quality care and cost efficiency.

We implement and operate innovative health care models to create a patient-centered, physician-centric experience. ApolloMed has the following integrated, synergistic operations:

- Hospitalists, which includes our contracted physicians who focus on the delivery of comprehensive medical care to hospitalized patients;
- An accountable care organization ("ACO"), which focuses on providing high-quality and cost-efficient care to Medicare fee-for-service patients;
- An independent practice association ("IPA"), which contracts with physicians and provides care to Medicare, Medicaid, commercial and dual-eligible patients on a risk- and value-based fee basis;
- Three clinics, which we own or operate, and which provide specialty care in the greater Los Angeles area;
- Palliative care, home health and hospice services, which include our at-home and end-of-life services; and
- A cloud-based population health management IT platform which was placed into service in April 2016, and includes digital care plans, a case management module, connectivity with multiple healthcare tracking devices and also integrates clinical data.

ApolloMed operates in one reportable segment, the healthcare delivery segment. Our revenue streams, which are described in greater detail below in "Our Revenue Streams and Our Business Operations," are diversified among our various operations and contract types, and include:

- Traditional fee-for-service reimbursement; and
- Risk and value-based contracts with health plans, third party IPAs, hospitals and the Medicare Shared Savings Program ("MSSP") sponsored by the Centers for Medicare & Medicaid Services ("CMS"), which are the primary revenue sources for our hospitalists, ACO, IPAs and palliative care operations.

ApolloMed serves Medicare, Medicaid, health maintenance organization ("HMO") and uninsured patients primarily in California. We provide services to patients, the majority of whom are covered by private or public insurance, with a small portion of our revenue from non-insured patients. We provide care coordination services to each major constituent of the healthcare delivery system, including patients, families, primary care physicians, specialists, acute care hospitals, alternative sites of inpatient care, physician groups and health plans.

Our mission is to transform the delivery of healthcare services in the communities we serve by implementing innovative population health models and creating a patient-centered, physician-centric experience in a high performance environment of integrated care.

The original business owned by ApolloMed was ApolloMed Hospitalists ("AMH"), a hospitalist company, which was incorporated in California in June 2001, and which began operations at Glendale Memorial Hospital. Through a reverse merger, ApolloMed became a publicly held company in June 2008. ApolloMed was initially organized around the admission and care of patients at inpatient facilities such as hospitals. We have grown our inpatient strategy by providing high-quality care and innovative solutions for our hospital and managed care clients.

In 2012, we formed an ACO, ApolloMed Accountable Care Organization, Inc. ("ApolloMed ACO"), and an IPA, Maverick Medical Group, Inc. ("MMG"). In 2013, we expanded our service offering to include integrated inpatient and outpatient services through MMG.

In 2014, we added several complementary operations by acquiring (either directly or through affiliated entities that are wholly-owned by Dr. Hosseinion, as nominee shareholder on behalf of ApolloMed) AKM Medical Group, Inc. ("AKM"), an IPA, outpatient primary care and specialty clinics and hospice/palliative care and home health entities. During fiscal 2016, we combined the operations of AKM into those of MMG.

Our largest acquisition to date, which was through an affiliate wholly-owned by Dr. Hosseinion, as nominee shareholder on behalf of ApolloMed, was Southern California Heart Centers ("SCHC"), a specialty clinic that focuses on cardiac care and diagnostic testing. SCHC has a management services agreement with Apollo Medical Management, Inc. ("AMM"), pursuant to which AMM manages all non-medical services for SCHC and has exclusive authority over all non-medical decision making related to the ongoing business operations of SCHC.

In January 2016, we formed Apollo Care Connect, Inc. ("Apollo Care Connect") which acquired certain technology and other assets of Healarium, Inc., which provides us with a population health management platform that includes digital care plans, a case management module, connectivity with multiple healthcare tracking devices and the ability to integrate with multiple electronic health records to capture clinical data.

We operate through the following subsidiaries:

- AMM
- Pulmonary Critical Care Management, Inc. ("PCCM")
- Verdugo Medical Management, Inc. ("VMM");
- ApolloMed ACO;
- Apollo Palliative Care Services, LLC ("ApolloMed Palliative"); and
- Apollo Care Connect.

AMM, PCCM and VMM each operates as a physician practice management company and is in the business of providing management services to physician practice corporations under long-term management service agreements, pursuant to which AMM, PCCM or VMM, as applicable, manages certain non-medical services for the physician group and has exclusive authority over all non-medical decision making related to ongoing business operations.

Through AMM, we manage our affiliated physician groups, which consist of:

- AMH
- MMG; and
- SCHC.

Our physician network consists of hospitalists, primary care physicians and specialist physicians primarily through ApolloMed's owned and affiliated physician groups.

Through PCCM we manage Los Angeles Lung Center ("LALC"), and through VMM we manage Eli Hendel, M.D., Inc. ("Hendel").

ApolloMed has a controlling interest in ApolloMed Palliative, which owns two Los Angeles-based companies, Best Choice Hospice Care LLC ("BCHC") and Holistic Care Home Health Care Inc. ("HCHHA"). Our palliative care services focuses on providing relief from the symptoms and stress of a serious illness. The goal is to improve quality of life for both the patient and the family.

The management agreements that AMM, PCCM and VMM enter into with physician groups generally provide for management fees that are recognized as earned based on a percentage of revenues or cash collections generated by the physician practices. Additionally, under each of AMM's management agreements, the management fee and services provided are reviewed annually and the management fee is adjusted as necessary to reflect the fair market value of AMM's services.

On February 17, 2015, we entered into a long-term management services agreement (the "Bay Area MSA") with a hospitalist group located in the San Francisco Bay Area. Under the Bay Area MSA, we provide certain business administrative services, including accounting, human resources management and supervision of all non-medical business operations. We have evaluated the impact of the Bay Area MSA and have determined that it triggers variable interest entity accounting, which requires the consolidation of the hospitalist group into our consolidated financial statements.

During fiscal 2016, we disposed of substantially all the assets of ApolloMed Care Clinic ("ACC"). ACC was a clinic providing care in the Los Angeles area.

ApolloMed ACO participates in the MSSP, the goal of which is to improve the quality of patient care and outcomes through more efficient and coordinated approach among providers.

Our principal executive offices are located at 700 North Brand Blvd., Suite 1400, Glendale, California 91203 and our telephone number is (818) 396-8050.

ApolloMed was incorporated in the State of Delaware on November 1, 1985 under the name of McKinnely Investment, Inc. On November 5, 1986 McKinnely Investment, Inc. changed its name to Acculine Industries, Incorporated and Acculine Industries, Incorporated changed its name to Siclone Industries, Incorporated on May 24, 1988. On July 3, 2008, Apollo Medical Holdings, Inc. merged into Siclone Industries, Incorporated and Siclone Industries, Incorporated, as the surviving entity from the merger, simultaneously changed its name to Apollo Medical Holdings Inc. ApolloMed's telephone number is (818) 396-8050 and its website URL is <http://apolomed.net>. Information contained on, or accessible through, our website is not a part of, and is not incorporated by reference into, this Report.

OUR INDUSTRY

U.S. healthcare spending has increased steadily over the past 20 years. According to the Centers for Medicare and Medicaid Spending ("CMS"), the estimated total U.S. healthcare expenditures are expected to grow by 5.8% for 2014 through 2024, comprising 19.6% of the U.S. gross domestic product ("GDP") by 2024. CMS projects total U.S. national health spending to grow 5.3% in 2015 and peak at 6.3% in 2020.

These spending increases have been driven, in part, by the aging baby boomer generation; lack of a healthy lifestyle on the part of the general population, both in terms of diet and exercise; rapidly increasing costs in medical technology and pharmaceutical research; the steady growth of the U.S. population; and provider reimbursement structures. Additionally, as the healthcare exchanges under the ACA and Medicaid expansions become operational, healthcare spending is projected to increase even more.

Hospitalists

"Hospitalist" is the term used for doctors who are specialized in the care of patients in the hospital. This movement was initiated over a decade ago and has evolved due to many factors. These factors include:

- convenience;
- efficiency;

- financial strains on primary care doctors;
- patient safety;
- cost-effectiveness for hospitals; and
- need for more specialized and coordinated care for hospitalized patients.

Hospital care expenditures represent the largest segment of U.S. healthcare industry spending. According to CMS estimates, total hospital spending is anticipated to have grown to 4.4% in 2014, reaching \$978.3 billion, which is similar to the 2013 rate of 4.3%. In 2015, hospital spending is projected to increase 5.4% due to the continued effects of ACA insurance expansion, combined with the effect of faster economic growth. For 2016 through 2024, continued population aging combined with the improved economic conditions are expected to result in projected average annual growth of 6.1%.

Hospitalists assume the inpatient care responsibilities that are otherwise provided by the patient's primary care physician or other attending physician and are reimbursed by third parties using the same visit-based or procedural billing codes as are used by the primary care physician or attending physician.

Hospitalists focus exclusively on inpatient care without the distraction of outpatient care responsibilities. Additionally, by practicing each day in the same facility, hospitalists perform consistent functions, interact regularly with the same specialists and other healthcare professionals and become accustomed to specific and unique hospital processes, which can result in greater efficiency, less process variability and better patient outcomes. Finally, hospitalists manage the treatment of a large number of patients with similar clinical needs and therefore develop practice expertise in both the diagnosis and treatment of common conditions that require hospitalization. For these reasons, we believe that hospitalists generate operating and cost efficiencies and produce better patient outcomes. Hospitalists have an increasingly important role in pushing quality through readmission prevention, infection control, electronic health records use, patient experience scores, core measures, and appropriate use of order sets.

According to the Society of Hospital Medicine, the number of hospitalists has grown over the past decade from a few hundred to more than 44,000 at the end of 2014, making it one of the fastest-growing medical specialties in the U.S. The percentage of hospitals using hospitalists has risen from 29% in 2003 to 50% in 2007 to 72% in 2014.

As of March 31, 2016, we provided hospitalist, intensivist and physician advisor services at over 20 hospitals in Southern and Central California, and had contracts with over 50 IPAs, medical groups, health plans and hospitals.

IPAs

An IPA is an association of independent physicians, or other organization that contracts with independent physicians, and provides services to managed care organizations on a negotiated per capita rate, flat retainer fee, or negotiated fee-for-service ("FFS") basis.

Medicare

The Medicare program was established in 1965 and became effective in 1967 as a federally-funded U.S. health insurance program for people aged 65 and older, and it was later expanded to include individuals with end-stage renal disease and certain disabled persons, regardless of income or age. Initially, Medicare was offered only on an FFS basis. Under the Medicare FFS payment system, an individual can choose any licensed physician enrolled in Medicare and use the services of any hospital, healthcare provider or facility certified by Medicare. CMS reimburses providers, based on a fee schedule, if Medicare covers the service and CMS considers it medically necessary.

Growth in Medicare spending is expected to continue to increase due to population demographics. According to the U.S. Census Bureau, from 1970 to 2014, overall U.S. population grew 54%, while the number of Medicare enrollees grew by more than 140% over the same period. Medicare Beneficiaries as a Share of Total Population grew from 15% in 2011 to 17% in 2015. By the year 2030, the number of these elderly persons is expected to climb to 72.8 million, or 20% of the total U.S. population. According to the U.S. Census Bureau, more than two million people turn 65 in the U.S. each year.

Medicare Advantage is a Medicare health plan program developed and administered by CMS as an alternative to the traditional FFS Medicare program. Medicare Advantage plans contract with CMS to provide benefits to beneficiaries for a fixed premium per member per month ("PMPM"). According to the Kaiser Family Foundation, in 2013, Medicare Advantage represented only 28% of total Medicare members, creating a significant opportunity for additional Medicare Advantage penetration of newly eligible seniors. The share of Medicare beneficiaries in such plans has risen rapidly in recent years; it reached approximately 31% by the end of open enrollment period in 2016 from approximately 13% in 2004. The reasons for this include that plan costs can be significantly lower than the corresponding cost for beneficiaries in the traditional Medicare FFS program, and plans typically provide extra benefits and provide preventive care and wellness programs.

Many health plans subcontract a significant portion of the responsibility for managing patient care to integrated medical systems such as ApolloMed. These integrated healthcare systems, whether medical groups or IPAs, offer a comprehensive medical delivery system and sophisticated care management know-how and infrastructure to more efficiently provide for the healthcare needs of the population enrolled with that health plan. Reimbursement models for these arrangements vary around the country. In California, health plans typically prospectively pay the IPA or medical group a fixed PMPM, or capitation payment, which is often based on a percentage of the amount received by the health plan. Capitation payments to IPAs or medical groups, in the aggregate, represent a prospective budget from which the IPA manages care-related expenses on behalf of the population enrolled with that IPA. Those IPAs or medical groups that manage care-related expenses under the capitated levels will realize an operating profit; if care-related expenses exceed projected levels, the IPA will realize an operating deficit.

Integrated healthcare delivery companies such as ApolloMed can utilize their medical care and quality management strategies and interventions for potential high cost cases and aggressively manage them to improve the health of its population and therefore lower costs for these patients. Additionally, IPAs and medical groups such as MMG have established physician performance metrics that allow them to monitor quality and service outcomes achieved by participating physicians in order to reward efficient, high quality care delivered to members and to initiate improvement efforts for physicians whose results can be enhanced.

ApolloMed provides managed care services through its MMG IPAs, and has entered into capitation agreements with health plans, either directly or through a management service organization ("MSO").

Medicaid

Medicaid is a Federal entitlement program administered by the states that provides healthcare and long-term care services and support to low-income Americans. Medicaid is funded jointly by the states and the Federal government. The Federal government guarantees matching funds to states for qualifying Medicaid expenditures based on each state's Federal medical assistance percentage, which is calculated annually and varies inversely with the average personal income in the state. Each state establishes its own eligibility standards, benefit packages, payment rates and program administration within Federal guidelines. In an effort to improve quality and provide more uniform and cost-effective care, many states have implemented Medicaid managed care programs to improve access to coordinated care, to improve preventive care and to control healthcare costs. Under Medicaid managed care programs, a health plan receives capitation payments from the state. The health plan then arranges for healthcare services to be provided by contracting either directly with providers or with IPAs and medical groups, such as MMG. MMG has entered into capitation agreements with health plans, either directly or through an MSO.

Commercial

Patients enrolled in health plans offered through their employers are generally referred to as commercial members. According to the United States Census Bureau, in 2014 approximately 55.4% of non-elderly U.S. citizens received their healthcare benefits through their employers, which contracted with health plans to administer these healthcare benefits. Nationally, commercial employer-sponsored health plan enrollment was approximately 175 million in 2014.

Dual Eligibles

A portion of Medicaid beneficiaries are dual eligibles, meaning that they are low-income seniors and people with disabilities who are enrolled in both Medicaid and Medicare. Based on CMS estimates, there are approximately 10.7 million dual eligible enrollees with annual spending of approximately \$285 billion. Only a small percentage of the total spending on dual eligibles is administered by managed care organizations. Dual eligibles tend to consume more healthcare services due to their tendency to have more chronic conditions. In some states, dual eligible patients are being voluntarily enrolled and/or auto-assigned into managed care programs. About 1.1 million low-income seniors and people with disabilities in California receive health care services through both the Medicare and Medi-Cal (Medicaid nationally) programs. Eight counties are participating in the duals pilot program begun in 2014, known as Cal MediConnect. The participating counties are Santa Clara, San Bernardino, San Diego, San Mateo, Orange, Alameda, Riverside, and Los Angeles Counties, with a total of not more than 456,000 participants and a cap of 200,000 participants in Los Angeles County. As of February, 2016, California's demonstration had enrollment of over 128,000 beneficiaries.

Health Reform Acts

In an effort to reduce the number of uninsured and intending to control healthcare expenditures, President Obama signed the ACA in 2010, as amended by the Health Care and Education Reconciliation Act of 2010 (the "Health Reform Acts") into law in March 2010. The Health Reform Acts seek a reduction of up to 32 million uninsured individuals by 2019, while potentially increasing Medicaid coverage by up to 16 million individuals and net commercial coverage by 16 million individuals. CMS projects that the total number of uninsured Americans will fall to 23 million by 2023 from 45 million in 2012. The current enrollment numbers (as of February 2016) are roughly 20 million total between the ACA between the Marketplace. The uninsured rate remains at an all-time low with 9.1% of under 65 uninsured as of 4th quarter 2015 according to CDC.Gov data. This represents a significant new market opportunity for health plans and integrated healthcare delivery companies.

As of March 31, 2016, MMG delivered services to nearly 14,500 members through a network of over 140 primary care physicians and over 380 specialist physicians.

ACOs

One provision of the Health Reform Acts required CMS to establish an MSSP that promotes accountability and coordination of care through the creation of ACOs, which, as described below, are eligible to participate in some of the savings generated by such ACOs. The Medicare FFS program was designed for beneficiaries in the Medicare FFS program, which covers approximately 72% of Medicare recipients, or approximately 36 million eligible Medicare beneficiaries. CMS established the MSSP to facilitate coordination and cooperation among providers to improve the quality of care and reduce unnecessary costs. Eligible providers, hospitals and suppliers may participate in the MSSP by creating an ACO and then applying to CMS. MSSP ACOs must have at least 5,000 Medicare beneficiaries in order to be eligible to participate in the program.

The MSSP is designed to improve beneficiary outcomes and increase value of care by (1) promoting accountability for the care of Medicare FFS beneficiaries; (2) requiring coordinated care for all services provided under Medicare FFS; and (3) encouraging investment in infrastructure and redesigned care processes. The MSSP rewards ACOs that lower their healthcare costs while meeting performance standards on quality of care and patient satisfaction. Under the final MSSP rules, Medicare will continue to pay individual providers and suppliers for specific items and services as it currently does under the FFS payment system. The MSSP rules require CMS to develop a benchmark for savings to be achieved by each ACO if the ACO is to receive shared savings. An ACO that meets the program's quality performance standards will be eligible to receive a share of the savings to the extent its assigned beneficiary medical expenditures are below the medical expenditure benchmark provided by CMS. A minimum savings rate ("MSR") must be achieved before the ACO can receive a share of the savings. Once the MSR is surpassed, all the savings below the benchmark provided by CMS will be shared 50% with the ACO. The MSR varies depending on the number of patients assigned to the ACO, starting at 3.9% for ACOs with patients totaling 5,000 and increasing to 2% for ACOs with more than 60,000 patients. The MSSP program is an all-or-nothing system, that is, an ACO either earns all of its allocable savings or none of it. In performance year 2014 (fiscal 2016), we did not receive an MSSP payment from CMS. Although we exceeded our total benchmark expenditures, generating \$3.9 million in total savings and achieving an ACO Quality Score of 90.4% on its Quality Performance Report, CMS determined that we did not meet the minimum savings threshold in performance year 2014 and therefore did not receive the "all or nothing" annual shared savings payment in fiscal 2016.

CMS assigns a beneficiary to the preliminary roster of an ACO if the ACO physicians billed for a “plurality” of services during the calendar year preceding the performance period. A plurality means the ACO physicians provided a greater proportion of primary care services, measured in terms of allowed charges, than the physicians in any other ACO or Medicare-enrolled tax identification number. CMS sets the benchmark for each ACO using the historical medical costs of the beneficiaries assigned to the ACO. Under the final MSSP rules, primary care physicians may only join one ACO, unless they have more than one Medicare tax identification number.

Palliative Care; Home Health and Hospice Organizations

Hospice companies serve terminally ill patients and their families. Comprehensive management of the healthcare services and products needed by hospice patients and their families are provided through the use of an interdisciplinary team. Depending upon a patient's needs, each hospice patient is assigned an interdisciplinary team comprised of a physician, nurse(s), home health aide(s), social worker(s), chaplain, dietary counselor and bereavement coordinator, as well as other care professionals. Hospice services are provided primarily in the patient's home or other residence, such as an assisted living residence or nursing home, or in a hospital. Medicare's hospice benefit is designed for patients expected to live six months or less. Hospice services for a patient can continue, however, for more than six months, as long as the patient remains eligible as reflected by a physician's certification.

Home health care companies provide direct home nursing and therapy services in addition to nutrition and disease management education. These services are provided by licensed and Medicare-certified skilled nurses and other paraprofessional nursing personnel.

OUR OPERATIONS

Hospitalists

Through our affiliated physician group, AMH, we:

- Provide admission, daily rounding and discharge of patients at acute care hospitals and long-term acute hospitals for health plans, hospitals and IPAs
- Evaluate patients in the emergency room to determine if they may be safely discharged to home, a skilled nursing facility or other facility
- Provide physician advisor consultative services for hospitals, which entails meeting daily with hospital case managers to review the charts, lab studies and imaging studies of hospitalized patients to determine if they meet criteria for continued stay in the hospital, to determine observation versus inpatient status and to evaluate proper coding
- Provide intensivist/ICU services for hospitals
- Provide out-of-network to in-network transfers of patients for health plans and IPAs

IPA

Our IPA is a network of independent primary care physicians and specialists who collectively care for HMO patients under either a capitated payment or FFS arrangement. Under the capitated model, an HMO pays our IPA a PMPM rate, or a "capitation" payment, and then assigns our IPAs the responsibility for providing the physician services required by the applicable patients. The physicians in our IPA are exclusively in control of, and responsible for, all aspects of the practice of medicine for our patients. Our IPA enters into contracts with HMOs, either directly or through a risk-shifting arrangement with MSOs, to provide physician services to enrollees of the HMOs. Most of the HMO agreements have an initial term of two years renewing automatically for successive one-year terms. The HMO agreements generally provide for a termination by the HMOs for cause at any time, although we have never experienced a termination. The HMO agreements generally allow either party to terminate the HMO agreements without cause with a four to six month notice.

- Through our IPA, we provide the following services:
 - Physician recruiting
 - Physician contracting
 - Medical management, including utilization management and quality assurance
 - Provider relations
 - Member services, including annual wellness evaluations
 - Education of physicians on proper coding
 - Data collection and analysis
 - Pre-negotiating contracts with specialists, labs, imaging centers, nursing homes and other vendors

One of our IPA entered into an agreement with an ("MSO"), to receive 98% of the gross revenue received for all enrollees attributable to us during the term of the PSA and we are responsible for all medical services required by the enrollees.

ACO

Through our ACO, we provide the following services for our physicians and patients:

- Population health management, a population health management and analytics platform to analyze monthly claims data from CMS and data collected from each physician's practice
- Care coordination in the inpatient and outpatient settings using case managers
- High-risk management of patients with multiple chronic conditions
- Educating our physicians. For example, we have a partnership with Boehringer Ingelheim to educate our physicians on patients with chronic obstructive pulmonary disease (COPD)
- Services for our patients. For example, we have a partnership with Rite Aid to provide health education, medication reconciliation and motivational interviewing for our patients
- Promote use of evidence-based medicine by our physicians

As of March 31, 2016, ApolloMed ACO had over 500 physicians and nearly 12,000 Medicare FFS beneficiaries in California.

ApolloMed ACO entered into an agreement with Prospect Medical Group ("PMG"), located in Orange, California, that, among other things, granted to PMG a right of first refusal to acquire Apollo Med ACO's network of physicians who were contracted with PMG and introduced to ApolloMed ACO by PMG. This right took effect only if ApolloMed ACO elected to sell its operations and terminated on the termination of the agreement between ApolloMed ACO and PMG. The agreement expired in accordance with its terms on December 31, 2015.

Care Clinics

Our outpatient clinics provide specialty services, such as cardiology and pulmonary services. ApolloMed also owns an imaging center complete with magnetic resonance imaging (MRI), compound tomography (CT), cardiac echo, ultrasound, and nuclear and exercise stress-test equipment. Our clinics focus on the efficient delivery of ambulatory treatment and ancillary services, with an increasing emphasis on preventive care and managing chronic conditions. Our clinics also serve as post-discharge centers for patients who have just left the hospital.

Our clinics are located within our historical core service areas in the greater Los Angeles area. The clinics have served their communities for many years, handle approximately 20,000 patient visits per year and provide specialty services and lab and imaging services.

Palliative Care, Home Health and Hospice Service Operations

Our palliative care, home health and hospice operations provide hospice, palliative care and home health services for patients using an interdisciplinary team composed of physicians, nurses and other healthcare workers. For hospice services, depending on the needs of the specific patient in each case, our service team may include a physician, nurse, home health aide, medical social worker, chaplain, dietary counselor and bereavement coordinator. Our hospice and palliative care services are provided in the patient's home, assisted living or nursing home or in a hospital. Our home health services are provided directly in each patient's home and may include skilled nursing and therapy services, as well as specialty programs such as disease management education, nutrition and help with daily living activities.

In October 2013, California enacted the Home Care Services Consumer Protection Act. That act established a licensing program for home care organizations, and requires background checks, basic training and tuberculosis screening for the aides that are employed by home care organizations. Home care organizations and aides had until January 1, 2015 to comply with the new licensing and background check requirements and we are in compliance with the new requirements.

Our hospice and home health services are currently offered only in Southern California, with an average daily census of about 64 hospice patients and 120 home health patients during fiscal 2016.

As of March 31, 2016, entities owned by our subsidiary, ApolloMed Palliative, served over 180 patients on a daily basis.

STRENGTHS AND COMPETITIVE ADVANTAGES

The following are some of the material opportunities that we believe exist for our company.

Diversification

Through our subsidiaries and consolidated affiliates, we have been able to reduce our business risk and increase revenue opportunities by diversifying our service offerings and expanding our ability to manage patient care across a horizontally integrated care network. Our revenue is spread across our operations. Additionally, with our ability to monitor and manage care within our wide network, we are a more attractive business partner to health plans, IPAs and health systems seeking to provide better access to care at lower costs.

Strong Management Team

Our management team and Board of Directors have decades of experience managing physician practices, risk-based organizations, health plans, hospitals and health systems. Collectively, they have a deep understanding of the healthcare marketplace, emerging trends and an exciting vision for the future of healthcare delivery that is driven by physician-driven healthcare networks.

Strong Relationships with Physicians

As of March 31, 2016, our physician network consisted of over 1,000 contracted physicians, including hospitalists, primary care physicians and specialist physicians, through our owned and affiliated physician groups and ACO.

Long-Standing Relationships with Clients Generating Recurring Contractual Revenue

We have long-standing relationships with multiple health plans, hospitals, hospital systems and IPAs which generate recurring contractual revenue.

Comprehensive and Effective Medical Management and Population Health Management Programs

We have developed comprehensive and effective programs for patients with multiple chronic conditions as well as hospitalized patients. Using our own proprietary risk assessment scoring tool, we have also developed our own protocol for identifying high-risk patients. In addition, we have developed expertise in population health management and care coordination, further expanded as a result of our recent acquisition of Apollo Care Connect. Additionally, we have developed expertise in proper medical coding which results in improved Risk Adjustment Factor ("RAF") scores and higher payments from health plans, both for our own IPA patients and other client IPAs. We have also developed expertise in improving quality metrics, both in the inpatient and outpatient setting. Our hospitalists have been able to improve hospital core measure quality metrics, and in the outpatient setting, we improved the CMS Quality Score in our ACO and also improved the STAR rating of our IPA. CMS implemented a five-star quality rating for participants in the Medicare Advantage program in 2008.

OUR GROWTH STRATEGY

Our mission is to transform the delivery of health services to the communities we serve by implementing innovative population health and care coordination models and by creating a patient-centered, physician-centric experience in a high-performing environment of integrated care.

Our current intention is to implement our strategy through a combination of organic growth and acquisitions, as well as dispositions when appropriate. While we have taken many concrete steps to achieve our strategy, there is no guarantee that we will be successful in these endeavors and we may not achieve our strategic goals. The principal elements of our growth strategy are:

Pursue growth opportunities in established markets. We identify growth opportunities in established markets we serve by working with our local network physicians. Opportunities may include continued physician enrolment for MMG and ApolloMed ACO, additional or expanded hospitalist contracts, new risk-based insurance contracts and new clinic acquisitions.

Continue to strengthen our market presence and reputation. We position ourselves to thrive in a changing healthcare environment by continuing to build and operate high-performing, patient-centered care networks, fully engaging in health and wellness, and enhancing our reputation in our markets. We focus particularly on patient safety, patient satisfaction, care coordination, population health and implementing clinical quality best practices across all our operations. We measure the health status of our patients with the goal of directly improving their health.

Focus on high-quality, patient-centered care. We provide high-quality, patient-centered care in our communities. We have implemented several initiatives to maintain and enhance the delivery of high-quality care, including clinical best practices, information technology and tools, coordination of care, home visits, annual wellness exams and population health.

Drive physician collaboration and alignment. We foster a collaborative approach among our physicians to provide what we believe to be clinically superior healthcare services. We provide medical management, population health management and care coordination resources to our physicians sufficient to support the necessary, high-quality services to our patients. We have implemented several initiatives, including active participation of physician leadership in ApolloMed ACO, MMG and hospitalist boards and subcommittees, training programs and information technology resources. In addition, we are aligning with our physicians in various forms of risk contracting, including pay-for-performance programs such as clinical documentation improvement to improve RAF scores and certain programs, such as annual wellness visits, to improve Medicare Advantage STAR ratings.

Expand ambulatory services and further our population health strategies. We are flexible and competitive in a dynamic healthcare environment. We will continue to add medical management and population health management resources to our ambulatory care services. We intend to pursue further strategies in physician practice management and population health services, such as predictive analytics and telemedicine services. We also intend to pursue the expansion of certain strategic services, such as home health care, hospice and palliative care services in an attempt to create a more comprehensive network of healthcare services.

Pursue selective acquisitions. We believe that our philosophy, built on patient-centered healthcare and clinical quality and efficiency, gives us a competitive advantage in expanding our services in our existing markets as well as other markets through acquisitions or partnerships. We regularly monitor opportunities to acquire hospitalist groups, IPAs, ACOs and clinics that fit our vision and long-term strategies.

Pursue selective dispositions. We regularly monitor the performance of our operations and have curtailed, cut back on or disposed of, certain operations that either are not performing to our expectations or are creating a financial strain on us.

Expand our relationships with payors and facilities in selective markets across the U.S. We intend to explore ways to develop relationships with existing and new health plans and hospitals in selective markets across the U.S. in order to participate in the growing hospitalist medicine market, under value-based contracts.

Acquisitions and Dispositions

In furtherance of our growth strategy, we regularly evaluate opportunities to add to our portfolio of healthcare companies in areas where we do not have a presence, in order to expand our geographic footprint, in areas where we already have a presence to increase our market share, and in areas of practice that are complementary to our existing business model. Similarly, we periodically evaluate parts of our business that may not fit within our overall business model or may be underperforming and, when appropriate, we may dispose of such companies.

In January 2016, we formed Apollo Care Connect, Inc. ("Apollo Care Connect") which acquired certain technology and other assets of Healarium, Inc., which provides us with a population health management platform that includes digital care plans, a case management module, connectivity with multiple healthcare tracking devices and the ability to integrate with multiple electronic health records to capture clinical data. We issued 275,000 shares of our Common Stock in exchange for the acquired assets and the seller paid us \$200,000.

Also during fiscal 2016, we sold substantially all the assets of ApolloMed Care Clinic ("ACC"). ACC was a clinic providing care in Los Angeles area. The purchase price was \$61,000 of which we received \$10,000 in cash and the balance in the form of a non-interest bearing promissory note in the principal amount of \$51,000. We also combined the operations of one of our IPAs, AKM, into those of our other IPA, MMG.

Hospitalists

We believe that attractive growth opportunities exist for our hospitalists' inpatient business due to the increasing need for improved efficiencies in the hospital from both payors and hospital management teams. Our physicians work closely with our partners to improve the care given to patients and their families and enhance how care is coordinated within the hospital and upon discharge of the patient. We have designed programs for some of the largest health plans and hospital chains in California to improve outcomes, reduce over-utilization, reduce Medicaid denial rates, optimize lengths of stay, optimize senior and commercial bed-days, improve Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) scores, improve hospital core measures, improve documentation and reduce 30-day readmissions. In addition, our physicians consult with hospital management teams to assist in Medicaid denial reviews, case management and improving discharge management.

We believe that the demand for hospitalists, including our hospitalists' inpatient business, will continue to grow due to the following significant changes in the healthcare delivery system:

The primary care physician's role in hospital care appears to be decreasing due to the increasingly specialized nature of hospital care, the demands of treating increasingly sicker patients in the hospital and higher acuity patients in the clinic, the increased time it takes to round on patients in the hospital due to electronic health records and the desire to reduce on-call obligations.

Hospitals have a greater need for consistent on-site physician availability due to the increasing severity of illness required to justify hospital admissions, the need to reduce readmissions, the need for better documentation and external pressures to decrease the inpatient length of stay.

Health plans, IPAs and other payors are searching for strategies to control the increase in inpatient expenditures.

There is increasing pressure in providing a coordinated continuum of care for patients to improve the quality of care, improve patient satisfaction and to reduce costs over an entire episode of care.

IPAs

Senior/Medicare Advantage Market Opportunity. We believe that significant growth opportunities exist for patient-centered, physician-centric integrated groups serving the growing senior market. At present, approximately 55 million Americans are eligible for Medicare according to CMS. According to the U.S. Census Bureau, more than 2 million Americans turn age 65 in the United States each year, and this number is expected to grow as the so-called baby boomers continue to turn 65. Also, many large employers that traditionally provided medical and prescription drug coverage to their retirees have begun to curtail these benefits. In addition, the passage of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "MMA"), increased the healthcare options available to Medicare beneficiaries through the expansion of Medicare managed care plans through the Medicare Advantage program.

Medicaid Program and Dual Eligibles. As a result of the Health Reform Acts, CMS projects that the total number of uninsured Americans will fall to 23 million by 2023 from 45 million in 2012. This represents a significant new market opportunity for health plans and integrated healthcare delivery companies such as ApolloMed, and we believe that we are strategically positioned to benefit from this expansion.

"Dual-eligibles" present another opportunity for us. According to CMS data for 2013, the most recently available year, there are approximately 9 million dual-eligible enrollees. We believe that this represents a significant opportunity for companies like ours that have the capabilities to effectively manage this population.

ACOs

We believe that there are growth opportunities in the ACO market, both through starting new ACOs in new geographic areas, as well as by acquisition of, or joint ventures with, existing ACOs. Additionally, CMS is changing the business model of ACOs to allow ACOs to assume more financial risk. We submitted an application to CMS on May 25, 2016 for the Next Generation ACO under the AIPBP model. We also believe that there are increasing opportunities for ACOs to contract with health plans for commercial patients.

Palliative Care, Home Health and Hospice

We believe that there are multiple factors that will contribute to the growth of the hospice and home health industry, including (i) increasing consumer and physician awareness and interest in hospice, palliative and home health services; (ii) recognizing that in-home services can be a cost-effective alternative to more expensive institutional care; (iii) aging demographics and changing family structures in which more aging people will be living alone and may be in need of assistance; (iv) the psychological benefits of recuperating from an illness or accident or receiving care for a chronic condition in one's own home; and (v) medical and technological advances that allow more healthcare procedures and monitoring to be provided at home.

GEOGRAPHIC COVERAGE

Our business and operations are located exclusively in California, and all of our revenue is derived from our operations in California. As of March 31, 2016, through our managed physician practices, we provided hospitalist services at more than 20 acute-care hospitals and long-term acute care facilities in Southern and Central California, and operated 3 primary care and specialty medical clinics in the Los Angeles area. MMG provides primary and specialist care through its contracted physicians throughout the greater Los Angeles area. ApolloMed ACO has nearly 12000 Medicare beneficiaries assigned to it by CMS in California.

CORPORATE PRACTICE OF MEDICINE

Our consolidated financial statements include our accounts and those of our subsidiaries and certain affiliated medical practices. Some states have laws that prohibit business entities with non-physician owners, such as ApolloMed, from practicing medicine, which are generally referred to as corporate practice of medicine. States that have corporate practice of medicine laws require only physicians to practice medicine, exercise control over medical decisions or engage in certain arrangements with other physicians, such as fee-splitting. California is a corporate practice of medicine state. Therefore, in California, we operate by maintaining long-term management service agreements with our affiliates, each of which are owned and operated by physicians, and which employ or contract with additional physicians to provide hospitalist services. Under management agreements, we provide and perform all non-medical management and administrative services, including financial management, information systems, marketing, risk management and administrative support. The management agreements typically have an initial term of 20 years unless terminated by either party for cause. The management agreements are not terminable by our affiliates, except in the case of gross negligence, fraud, or other illegal acts by ApolloMed, or the bankruptcy of ApolloMed.

When necessary, Dr. Hosseini, our Chief Executive Officer, serves as nominee shareholder, on our behalf, of affiliated medical practices, in order to comply with healthcare laws and certain accounting rules applicable to consolidated financial reporting.

Through the management agreements and our relationship with the physician owners of our medical affiliates, we have exclusive authority over all non-medical decisions related to the ongoing business operations of those affiliates. Consequently, we consolidate the revenue and expenses of our affiliates from the date of execution of the management agreements, as the primary beneficiary of these variable interest entities ("VIEs").

OUR REVENUE STREAMS

We generate revenue through various contractual agreements which vary in both structure and by type of business operation. These contracts are multi-year renewable contracts that include traditional "fee for service", capitation, case rates, and professional and institutional risk contracts. Our revenue streams consist of contracted, fee-for-service, capitation, and MSSP revenue.

Contracted revenue

Contracted revenue represents revenue generated under management agreements for which ApolloMed provides physician and other healthcare staffing and administrative services in return for a contractually negotiated fee. Contracted revenue consists primarily of billings based on hours of healthcare staffing provided at agreed-upon hourly rates. Additionally, contracted revenue also includes supplemental revenue from hospitals where we may have an FFS contract arrangement or provide physician advisory services to the medical staff at a specific facility. Such contract terms generally either provides for a fixed monthly dollar amount or a variable amount based upon measurable monthly activity, such as hours staffed, patient visits or collections per visit, compared to a minimum activity threshold. Such supplemental revenues based on variable arrangements are usually contractually fixed on a monthly, quarterly or annual basis considering the variable factors negotiated in each such agreement. Additionally, we derive a portion of our revenue as a contractual bonus from collections received by our partners and such revenue is contingent upon the collection of third-party billings.

FFS revenue

FFS revenue represents revenue earned under agreements in which ApolloMed bills and collects the professional component of charges for medical services rendered by our contracted and employed physicians. Under our FFS arrangements, we bill patients for services provided and receive payment from patients or their third-party payors. FFS revenue is reported net of contractual allowances and policy discounts. All services provided are expected to result in cash flows and are therefore reflected as net revenue in our consolidated financial statements. The recognition of net revenue (gross charges less contractual allowances) from patient visits is dependent on such factors as proper completion of medical charts following a patient visit, the forwarding of such charts to our billing center for medical coding and entering into our billing system and the verification of each patient's submission or representation at the time services are rendered as to the payor(s) responsible for payment for such services.

Capitation revenue

Capitation revenue represents revenue that ApolloMed generates based on agreements that generally make ApolloMed or our affiliates liable for excess medical costs. The use of capitation under provider service agreements ("PSAs") is intended to control the use of health care resources by putting ApolloMed or our affiliates at financial risk for services provided to patients. Capitation is a fixed amount of money per patient per unit of time paid in advance for the delivery of health care services. The actual amount of money paid to us is determined by the ranges of services that we provide, the number of patients involved, and the period of time during which the services are provided. Capitation rates under our PSAs are generally based on local costs and average utilization of services. To ensure that contracting physicians provide necessary care to their patients, we monitor and measure rates of resource utilization in physician practices and submit reports to appropriate regulators. These reports are made available to the public as a measure of health care quality, and can be linked to financial rewards, such as bonuses. For example, we receive incentives under "pay-for-performance" programs for quality medical care, based on various criteria.

Additionally, Medicare pays capitation using a "risk adjustment" model, which compensates managed care organizations and providers based on the health status (acuity) of each individual enrollee. Health plans and providers with higher acuity enrollees receive more and those with lower acuity enrollees receive less. Under risk adjustment, capitation is determined based on health severity, measured using patient encounter data. Capitation is paid on an interim basis based on data submitted for the enrollee for the preceding year and is adjusted in subsequent periods after the final data is compiled.

MSSP Revenue

Through our subsidiary, ApolloMed ACO, we participate in the MSSP sponsored by CMS. The MSSP allows ACO participants to share in cost savings it generates in connection with rendering medical services to Medicare patients. Payments to ACO participants, if any, are calculated annually and paid once a year by CMS on cost savings generated by the ACO participant relative to the ACO participants' CMS benchmark. Under the MSSP program, an ACO either receives the full amount of its allocable cost savings or nothing. The MSSP is a newly formed program with minimal history of payments to ACO participants. Under the final MSSP rules, Medicare will continue to pay individual providers and suppliers for specific items and services as it currently does under the FFS payment methodologies. The MSSP rules require CMS to develop a benchmark for savings to be achieved by each ACO if the ACO is to receive shared savings. An ACO that meets the MSSP's quality performance standards will be eligible to receive a share of the savings to the extent its assigned beneficiary medical expenditures are below the medical expenditure benchmark provided by CMS. An MSR must be achieved before the ACO can receive a share of the savings. Once the MSR is surpassed, all the savings below the benchmark provided by CMS will be shared 50% with the ACO. The MSR varies depending on the number of patients assigned to the ACO, starting at 3.9% for ACOs with patients totaling 5,000 and increasing to 2% for ACOs with more than 60,000 patients.

We consider revenue, if any, under the MSSP, as contingent upon the realization of program savings as determined by CMS, and are not considered earned and therefore are not recognized as revenue until notice from CMS that cash payments are to be imminently received. We received an MSSP payment in fiscal 2015 but we did not receive an MSSP payment in fiscal 2016.

Types of Revenue by Business Operation

Each of our operations generates revenue in the following manners:

- **Hospitalists.** AMH contracts with health plans or IPAs to be paid on fee schedules or case rates to see patients and earns revenue primarily on a contracted basis. AMH also contracts directly with hospitals for fixed monthly stipends for continuous staffing coverage.
- **IPA.** MMG earns revenue based on capitation payments from health plans. In California, health plans prospectively pay the IPA or medical group a fixed PMPM amount, or capitation payment, which is often based on a percentage of the amount received by the health plan. Capitation payments to medical groups or IPAs, in the aggregate, represent a prospective budget from which the IPA manages care-related expenses on behalf of the population enrolled with that IPA. Those IPAs or medical groups that manage care-related expenses under the capitated levels will realize an operating profit; if care-related expenses exceed projected levels, the IPA will realize an operating deficit.
- **ACO.** ApolloMed ACO is a "shared savings" performance model that has contracted with CMS and earns revenue from MSSP based on cost-savings achieved. As discussed above, the MSSP reward ACOs that lower their healthcare costs while meeting performance standards on quality of care and patient satisfaction on an all-or-nothing basis once a year.
- **Care Clinics** - ApolloMed Care Clinic's clinics receives the majority of their revenue from traditional FFS models where the physicians are paid based on professional fee schedules from various health plans, and also receive capitated payments from IPAs, including MMG.
- **Palliative Care, Home Health and Hospice Service Operations** - ApolloMed Palliative, which includes BCHC and Holistic Health, receives both FFS and contracted revenue. Under the home health Prospective Payment System ("PPS") of reimbursement, for Medicare and Medicare Advantage programs paid at episodic rates, ApolloMed estimates net revenues to be recorded based on a reimbursement rate which is determined using relevant data, relating to each patient's health status including clinical condition, functional abilities and service needs, as well as applicable wage indices to give effect to geographic differences in wage levels of employees providing services to the patient. Billings under PPS are initially recognized as deferred revenue and are subsequently amortized into revenue over an average patient treatment period. The process for recognizing revenue to be recorded is based on certain assumptions and judgments, including (i) the average length of time of each treatment as compared to a standard 60 day episode; (ii) any differences between the clinical assessment of and the therapy service needs for each patient at the time of certification as compared to actual experience; and (iii) the level of adjustments to the fixed reimbursement rate relating to patients who receive a limited number of visits, are discharged but readmitted to another agency within the same 60-day episodic period or are subject to certain other factors during the episode. Revenues for hospice are recorded on an accrual basis based on the number of days a patient has been on service at amounts equal to an estimated payment rate. The payment rate is dependent on whether a patient is receiving routine home care, general inpatient care, continuous home care or respite care. Adjustments to Medicare revenues are recorded based on an inability to obtain appropriate billing documentation or authorizations acceptable to the payor or other reasons unrelated to credit risk.

Key Payors

We have a few key payors that represent a significant portion of our net revenue. For the fiscal year ended March 31, 2016, three payors accounted for 55.4% of our net revenue. For the fiscal year ended March 31, 2015, three payors accounted for 60.3% of our net revenue.

	Year Ended March 31, 2015	Year Ended March 31, 2016
Medicare/Medi-Cal	34.8%	29.8%
L.A Care	13.2%	15.7%
Health Net	12.3%	9.9%

COMPETITION

The healthcare industry is highly competitive and fragmented across all of our services and operations. We compete for customers with many other healthcare providers, including local physicians and practice groups as well as local, regional and national networks of physicians, hospitals and other healthcare companies, many of which are substantially larger than us and have significantly greater financial and other resources, including personnel than we have.

Hospitalists

AMH faces competition primarily from numerous small inpatient practices as well as large physician groups. Some of our competitors operate on a national level, such as EmCare, Team Health and Sound Physicians, and many of them have greater financial, personnel and other resources available to them. In addition, because the market for hospitalist services is highly fragmented and the ability of individual physicians to provide services in any hospital where they have certain credentials and privileges, competition for growth in existing and expanding markets is not limited to our largest competitors.

IPAs

Our affiliated IPA, MMG, competes with other IPAs, medical groups and hospitals. Many of our competitors have greater financial, personnel and other resources available to them. For example, in Los Angeles, examples of our competitors include Regal Medical Group and Lakeside Medical group, which are part of the Heritage Provider Network ("Heritage"), as well as HealthCare Partners, which is owned by DaVita HealthCare Partners ("DaVita").

ACOs

ApolloMed ACO competes with hospitals, sophisticated provider groups, and MSOs in the creation, administration, and management of ACOs. Many of our competitors have greater financial, personnel and other resources available to them. For example, in Los Angeles, our competitors include Heritage California ACO, which is part of Heritage and operates a Pioneer ACO, and HealthCare Partners ACO, which is owned by DaVita and which participates in the MSSP.

Palliative Care, Home Health and Hospice

The Palliative care and hospice providers with which we compete include not-for-profit and charity-funded programs that may have strong ties to their local communities and for-profit programs that may have greater financial, personnel and other resources available to them. Home health providers include not-for-profit and for-profit facility-based agencies, such as hospitals or nursing homes, as well as independent companies, some of which are large publicly-traded companies and which have greater financial, personnel and other resources available to them.

Apollo Palliative Services competes with Hospice and Home Health agencies with greater financial, personnel and other resources available to them. For example, in Los Angeles, our competitors include Vitas, Kindred, Haven and Lakeview

PROFESSIONAL LIABILITY AND OTHER INSURANCE COVERAGE

Our business has an inherent and significant risk of claims of medical malpractice against our affiliated physicians and us. Our independent physician contractors and we pay premiums for third-party professional liability insurance that indemnifies our affiliated hospitalists and us on a claims-made basis for losses incurred related to medical malpractice litigation. Professional liability coverage is required in order for our affiliated hospitalists to maintain hospital privileges. All of our physicians carry first dollar coverage with limits of liability equal to \$1,000,000 for all claims based on occurrence up to an aggregate of \$3,000,000 per year.

While we believe that our insurance coverage is adequate based upon our claims experience and the nature and risks of our business, we cannot be certain that our insurance coverage will be adequate to cover liabilities arising out of claims asserted against us, our affiliated professional organizations or our affiliated hospitalists in the future where the outcomes of such claims are unfavorable. We believe that the ultimate resolution of all pending claims, including liabilities in excess of our insurance coverage, will not have a material adverse effect on our financial position, results of operations or cash flows; however, there can be no assurance that future claims will not have such a material adverse effect on our business.

We also maintain worker's compensation, director and officer, and other third-party insurance coverage subject to deductibles and other restrictions that we believe are in accordance with industry standards. We believe that these insurance coverage limits are appropriate based upon our claims experience and the nature and risks of our business. However, we cannot assure that any pending or future claim will not be successful or if successful will not exceed the limits of available insurance coverage.

REGULATORY MATTERS

Significant Federal and State Healthcare Laws Governing Our Business

As a healthcare company, our operations and relationships with healthcare providers such as hospitals, other healthcare facilities, and healthcare professionals are subject to extensive and increasing regulation by numerous federal, state, and local government entities. These laws and regulations often are interpreted broadly and enforced aggressively by multiple government agencies, including the U.S. Department of Health and Human Services Office of the Inspector General, the U.S. Department of Justice, CMS, and various state authorities. We have included brief descriptions of some, but not all, of the laws and regulations that affect our business below.

Imposition of liabilities associated with a violation of any of these healthcare laws and regulations could have a material adverse effect on our business, financial condition and results of operations. The Company cannot guarantee that its arrangements or business practices will not be subject to government scrutiny or be found to violate certain healthcare laws. Government investigations and prosecutions, even if we are ultimately found to be without fault, can be costly and disruptive to our business. Moreover, changes in healthcare legislation or government regulation may restrict our existing operations, limit the expansion of our business or impose additional compliance requirements and costs, any of which could have a material adverse effect on our business, financial condition and results of operations.

False Claims Acts

The federal False Claims Act imposes civil liability on individuals or entities that submit false or fraudulent claims for payment to the federal government. The False Claims Act provides, in part, that the federal government may bring a lawsuit against any person whom it believes has knowingly or recklessly presented, or caused to be presented, a false or fraudulent request for payment from the federal government, or who has made a false statement or used a false record to get a claim for payment approved. Private parties may initiate qui tam whistleblower lawsuits against any person or entity under the False Claims Act in the name of the government and may share in the proceeds of a successful suit.

The federal government has used the False Claims Act to prosecute a wide variety of alleged false claims and fraud allegedly perpetrated against Medicare and state healthcare programs. By way of illustration, these prosecutions may be based upon alleged coding errors, billing for services not rendered, billing services at a higher payment rate than appropriate, and billing for care that is not considered medically necessary. The government and a number of courts also have taken the position that claims presented in violation of certain other statutes, including the federal Anti-Kickback Statute or the Stark Law, can be considered a violation of the False Claims Act based on the theory that a provider impliedly certifies compliance with all applicable laws, regulations, and other rules when submitting claims for reimbursement.

Penalties for False Claims Act violations include fines ranging from \$5,500 to \$11,000 for each false claim, plus up to three times the amount of damages sustained by the government. A False Claims Act violation may provide the basis for the imposition of administrative penalties as well as exclusion from participation in governmental healthcare programs, including Medicare and Medicaid. In addition to the provisions of the False Claims Act, which provide for civil enforcement, the federal government also can use several criminal statutes to prosecute persons who are alleged to have submitted false or fraudulent claims for payment to the federal government.

A number of states have enacted false claims acts that are similar to the federal False Claims Act. Even more states are expected to do so in the future because Section 6031 of the DRA, amended the federal law to encourage these types of changes, along with a corresponding increase in state initiated false claims enforcement efforts. Under the DRA, if a state enacts a false claims act that is at least as stringent as the federal statute and that also meets certain other requirements, the state will be eligible to receive a greater share of any monetary recovery obtained pursuant to certain actions brought under the state's false claims act. The OIG, in consultation with the Attorney General of the United States, is responsible for determining if a state's false claims act complies with the statutory requirements. Currently, many states, including California have some form of state false claims act.

Anti-Kickback Statutes

The federal Anti-Kickback Statute is a provision of the Social Security Act that prohibits as a felony offense the knowing and willful offer, payment, solicitation or receipt of any form of remuneration in return for, or to induce, (1) the referral of a patient for items or services for which payment may be made in whole or part under Medicare, Medicaid or other federal healthcare programs, (2) the furnishing or arranging for the furnishing of items or services reimbursable under Medicare, Medicaid or other federal healthcare programs or (3) the purchase, lease, or order or arranging or recommending the purchasing, leasing or ordering of any item or service reimbursable under Medicare, Medicaid or other federal healthcare programs. The ACA amended section 1128B of the Social Security Act to make it clear that a person need not have actual knowledge of the statute, or specific intent to violate the statute, as a predicate for a violation. The OIG, which has the authority to impose administrative sanctions for violation of the statute, has adopted as its standard for review a judicial interpretation which concludes that the statute prohibits any arrangement where even one purpose of the remuneration is to induce or reward referrals. A violation of the Anti-Kickback Statute is a felony punishable by imprisonment, criminal fines of up to \$25,000, civil fines of up to \$50,000 per violation and three times the amount of the unlawful remuneration. A violation also can result in exclusion from Medicare, Medicaid or other federal healthcare programs. In addition, pursuant to the changes of the ACA, a claim that includes items or services resulting from a violation of the Anti-Kickback Statute is a false claim for purposes of the False Claims Act.

Due to the breadth of the Anti-Kickback Statute's broad prohibitions, statutory exceptions exist that protect certain arrangements from prosecution. In addition, the OIG has published safe harbor regulations that specify arrangements that also are deemed protected from prosecution under the Anti-Kickback Statute, provided all applicable criteria are met. The failure of an activity to meet all of the applicable safe harbor criteria does not necessarily mean that the particular arrangement violates the Anti-Kickback Statute, but these arrangements may be subject to scrutiny and prosecution by enforcement agencies. The conduct or business arrangement, however, does increase the risk of scrutiny by government enforcement authorities. We may be less willing than some of our competitors to take actions or enter into business arrangements that do not clearly satisfy the safe harbors. As a result, this unwillingness may put us at a competitive disadvantage.

Some states have enacted statutes and regulations similar to the Anti-Kickback Statute, but which may be applicable regardless of the payor source for the patient. These state laws may contain exceptions and safe harbors that are different from and/or more limited than those of the federal law and that may vary from state to state. For example, California has adopted the Physician Outpatient Referral Act ("PORA"). PORA makes it unlawful for a healing arts licensee, including physicians and surgeons, and other licensed professionals, to refer a person for certain health care services if the licensee has a financial interest, with the person or entity that receives the referral. While the law also provides certain exemptions from this prohibition, failure to fit within an exemption in violation of PORA can lead to a misdemeanor offense that may subject a physician to civil penalties and disciplinary action by the Medical Board of California.

Although we have established policies and procedures to ensure that our arrangements with physicians comply with current laws and applicable regulations, we cannot assure you that regulatory authorities that enforce these laws will not determine that some of these arrangements violate the Anti-Kickback Statute or other applicable laws. An adverse determination could subject us to liabilities under the Social Security Act, including criminal penalties, civil monetary penalties and exclusion from participation in Medicare, Medicaid or other federal health care programs, any of which could have a material adverse effect on our business, financial condition or results of operations.

Federal Stark Law

The Federal Stark Law, also known as the physician self-referral law, generally prohibits a physician from referring Medicare and Medicaid patients to an entity (including hospitals) providing "designated health services," if the physician or a member of the physician's immediate family has a "financial relationship" with the entity, unless a specific exception applies. Designated health services include, among other services, inpatient and outpatient hospital services, clinical laboratory services, certain imaging services, and other items or services that our affiliated physicians may order. The prohibition applies regardless of the reasons for the financial relationship and the referral; and therefore, unlike the federal Anti-Kickback Statute, intent to violate the law is not required. Like the Anti-Kickback Statute, the Stark Law contains a number of statutory and regulatory exceptions intended to protect certain types of transactions and business arrangements from penalty. Unlike safe harbors under the Anti-Kickback Statute with which compliance is voluntary, an arrangement must comply with every requirement of a Stark Law exception or the arrangement is in violation of the Stark Law.

The penalties for violating the Stark Law can include the denial of payment for services ordered in violation of the statute, mandatory refunds of any sums paid for such services and civil penalties of up to \$15,000 for each violation, double damages, and possible exclusion from future participation in the governmental healthcare programs. A person who engages in a scheme to circumvent the Stark Law's prohibitions may be fined up to \$100,000 for each applicable arrangement or scheme.

Some states have enacted statutes and regulations similar to the Stark Law, but which may be applicable to the referral of patients regardless of their payor source and which may apply to different types of services. These state laws may contain statutory and regulatory exceptions that are different from those of the federal law and that may vary from state to state.

Because the Stark Law and its implementing regulations continue to evolve, we do not always have the benefit of significant regulatory or judicial interpretation of this law and its regulations. We attempt to structure our relationships to meet an exception to the Stark Law, but the regulations implementing the exceptions are detailed and complex, and we cannot be certain that every relationship complies fully with the Stark Law. In addition, in the July 2008 final Stark rule, CMS indicated that it will continue to enact further regulations tightening aspects of the Stark Law that it perceives allow for Medicare program abuse, especially those regulations that still permit physicians to profit from their referrals of ancillary services. There can be no assurance that the arrangements entered into by us with physicians and facilities will be found to be in compliance with the Stark Law, as it ultimately may be implemented or interpreted.

Health Information Privacy and Security Standards

Among other directives, the Administrative Simplification Provisions of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), required the Department of Health and Human Services, or the HHS, to adopt standards to protect the privacy and security of certain health-related information. The HIPAA privacy regulations contain detailed requirements concerning the use and disclosure of individually identifiable health information by "HIPAA covered entities," which include entities like the Company, our affiliated hospitalists, and practice groups.

In addition to the privacy requirements, HIPAA covered entities must implement certain administrative, physical, and technical security standards to protect the integrity, confidentiality and availability of certain electronic health information received, maintained, or transmitted. HIPAA also implemented the use of standard transaction code sets and standard identifiers that covered entities must use when submitting or receiving certain electronic healthcare transactions, including activities associated with the billing and collection of healthcare claims.

The American Recovery and Reinvestment Act enacted on February 18, 2009, included the Health Information Technology for Economic and Clinical Health Act ("HITECH") which modified the HIPAA legislation significantly. Pursuant to HITECH, certain provisions of the HIPAA privacy and security regulations become directly applicable to "HIPAA business associates".

Violations of the HIPAA privacy and security standards may result in civil and criminal penalties. Historically, these included: (1) civil money penalties of \$100 per incident, to a maximum of \$25,000, per person, per year, per standard violated and (2) depending upon the nature of the violation, fines of up to \$250,000 and imprisonment for up to ten years. The passage of HITECH significantly modified the enforcement structure, creating a tiered system of civil money penalties that range from \$100 to \$50,000 per violation, with a cap of \$1.5 million per year for identical violations. We must also comply with the "breach notification" regulations, which implement certain provisions of HITECH. Under these regulations, in addition to reasonable remediation, covered entities must promptly notify affected individuals in the case of a breach of "unsecured PHI," which is defined by HHS guidance, as well as the HHS Secretary and the media in cases where a breach affects more than 500 individuals. Breaches affecting fewer than 500 individuals must be reported to the HHS Secretary on an annual basis. The regulations also require business associates of covered entities to notify the covered entity of breaches at or by the business associate. Formal enforcement of the new breach notification regulations began on February 22, 2010.

We expect increased federal and state HIPAA privacy and security enforcement efforts. Under HITECH, state Attorneys General now have the right to prosecute HIPAA violations committed against residents of their states. In addition, HITECH mandates that the Secretary of HHS conduct periodic compliance audits of HIPAA covered entities and business associates. It also tasks HHS with establishing a methodology whereby harmed individuals who were the victims of breaches of unsecured PHI may receive a percentage of the civil monetary penalty fine or monetary settlement paid by the violator. This methodology for compensation to harmed individuals was initially required to be in place by February 17, 2012; however, no rules or regulations implementing this methodology have yet been adopted by HHS. HHS may nonetheless eventually establish such methodology for compensation to harmed individuals.

Many states also have laws that protect the privacy and security of confidential, personal information. These laws may be similar to or even more stringent than the federal provisions. Not only may some of these state laws impose fines and penalties upon violators, but some may afford private rights of action to individuals who believe their personal information has been misused.

Fee-Splitting and Corporate Practice of Medicine

Some states, including California, have laws that prohibit business entities, such as us and our subsidiaries, from practicing medicine, employing physicians to practice medicine, exercising control over medical decisions by physicians (also known collectively as the corporate practice of medicine) or engaging in certain arrangements, such as fee-splitting, with physicians. In these states, a violation of the corporate practice of medicine prohibition constitutes the unlawful practice of medicine, which is a public offense punishable by fines and other criminal penalties. In addition, any physician who participates in a scheme that violates the state's corporate practice of medicine prohibition may be punished for aiding and abetting a lay entity in the unlawful practice of medicine. The Company operates by maintaining long-term management contracts with affiliated professional organizations, which are each owned and operated by physicians and which employ or contract with additional physicians to provide hospitalist services. Under these arrangements, we perform only non-medical administrative services, do not represent that we offer medical services, and do not exercise influence or control over the practice of medicine by the physicians or the affiliated professional organizations. The California Medical Board, as well as other state's regulatory bodies, has taken the position that certain physician practice management agreements that confer too much control over a physician practice violate the prohibition against corporate practice of medicine.

We operate by maintaining long-term management contracts with affiliated professional organizations, which are each owned and operated by physicians and other individuals, and which employ or contract with additional physicians to provide clinical services. Under these arrangements, we perform only non-medical administrative services, do not represent that we offer medical services, and do not exercise influence or control over the practice of medicine by the physicians or the affiliated professional organizations.

For financial reporting purposes, however, we consolidate the revenues and expenses of all our practice groups that we own or manage because we have a controlling financial interest in these practices based on applicable accounting rules and as described in our consolidated financial statements. In states where fee-splitting is prohibited between physicians and non-physicians, the fees that we receive through our management contracts have been established on a basis that we believe complies with the applicable state laws.

Some of the relevant laws, regulations, and agency interpretations in the State of California and other states that have corporate practice prohibitions have been subject to limited judicial and regulatory interpretation. Moreover, state laws are subject to change and regulatory authorities and other parties, including our affiliated physicians, may assert that, despite these arrangements, we are engaged in the prohibited corporate practice of medicine or that our arrangements constitute unlawful fee-splitting. If this occurred, we could be subject to civil or criminal penalties, our contracts could be found legally invalid and unenforceable (in whole or in part), or we could be required to restructure our contractual arrangements. If we were required to restructure our operating structures due to determination that a corporate practice of medicine violation existed, such a restructuring might include revisions of our management services agreements, which might include a modification of the management fee, and/ or establishing an alternative structure.

Deficit Reduction Act Of 2005

Among other mandates, the Deficit Reduction Act of 2005 (the "DRA") created a new Medicaid Integrity Program designed to enhance federal and state efforts to detect Medicaid fraud, waste and abuse. Additionally, section 6032 of the DRA requires entities that make or receive annual Medicaid payments of \$5.0 million or more from any one state to provide their employees, contractors and agents with written policies and employee handbook materials on federal and state False Claims Acts and related statutes. At this time, we are not required to comply with section 6032 because we receive less than \$5.0 million in Medicaid payments annually from any one state. However, we may likely be required to comply in the future as our Medicaid billings increase.

Other Federal Healthcare Compliance Laws

We are also subject to other federal healthcare laws.

In 1995, Congress amended the federal criminal statutes set forth in Title 18 of the United States Code by defining additional federal crimes that could have an impact on our business, including "Health Care Fraud" and "False Statements Relating to Health Care Matters." The Health Care Fraud provision prohibits any person from knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program. As defined in this provision of Title 18, a "healthcare benefit program" can be either a government or private payor plan. Violation of this statute may be charged as a felony offense and may result in fines, imprisonment or both. The ACA amended section 1347 of Title 18 to provide that a person may be convicted under the Health Care Fraud provision even in the absence of proof that the person had actual knowledge of, or specific intent to violate, the statute.

The False Statements Relating to Health Care Matters provision prohibits, in any matter involving a federal health care program, anyone from knowingly and willfully falsifying, concealing or covering up, by any trick, scheme or device, a material fact, or making any materially false, fictitious or fraudulent statement or representation, or making or using any materially false writing or document knowing that it contains a materially false or fraudulent statement. A violation of this statute may be charged as a felony offense and may result in fines, imprisonment or both.

Under the Civil Monetary Penalties law of the Social Security Act, a person, including any individual or organization, may be subject to civil monetary penalties, treble damages and exclusion from participation in federal health care programs for certain specified conduct. One provision of the Civil Monetary Penalties law precludes any person (including an organization) from knowingly presenting or causing to be presented to any United States officer, employee, agent, or department, or any state agency, a claim for payment for medical or other items or services that the person knows or should know (a) were not provided as described in the coding of the claim, (b) is a false or fraudulent claim, (c) is for a service furnished by an unlicensed physician, (d) is for medical or other items or service furnished by a person or an entity that is in a period of exclusion from the program or (e) are medically unnecessary items or services. Violations of the law may result in penalties of up to \$10,000 per claim, treble damages, and exclusion from federal healthcare programs. In addition, the OIG may impose civil monetary penalties against any physician who knowingly accepts payment from a hospital (as well as against the hospital making the payment) as an inducement to reduce or limit medically necessary services provided to Medicare or Medicaid program beneficiaries. Further, except as specifically permitted under the Civil Monetary Penalties law, a person who offers or transfers to a Medicare or Medicaid beneficiary any remuneration that the person knows or should know is likely to influence the beneficiary's selection of a particular provider of Medicare or Medicaid payable items or services may be liable for civil money penalties of up to \$10,000 for each wrongful act.

Other State Healthcare Compliance Provisions

In addition to the state laws previously described, we may also be subject to other state fraud and abuse statutes and regulations if we expand our operations beyond California. Many states have adopted a form of anti-kickback law, self-referral prohibition, and false claims and insurance fraud prohibition. The scope of these laws and the interpretations of them vary from state to state and are enforced by state courts and regulatory authorities, each with broad discretion. Generally, state laws reach to all healthcare services and not just those covered under a governmental healthcare program. A determination of liability under any of these laws could result in fines and penalties and restrictions on our ability to operate in these states. We cannot assure that our arrangements or business practices will not be subject to government scrutiny or be found to violate applicable fraud and abuse laws.

Knox-Keene Act and Other State Insurance Laws

Some of the medical groups and IPAs that have entered into management services agreements with us, have historically contracted with health plans and other payors to receive a per member per month ("PMPM") or percentage of premium capitation payment for professional (physician) services and assumed the financial responsibility for professional services. In many of these cases, the health plans or other payors separately enter into contracts with hospitals that directly receive payment (either a capitation or fee-for-service payment) and assume some type of contractual financial responsibility for their institutional (hospital) services. In some instances, the Company's managed medical groups and IPAs have been paid by their contracting payor for the financial outcome of managing the care dollars associated with both the professional and institutional services received by the medical groups' and IPAs' members. In the case of institutional services, the medical groups and IPAs have recognized a percentage of the surplus of institutional revenues less institutional expense as the medical groups' and IPAs' net revenues and has also been responsible for some percentage of any short-fall in the event that institutional expenses exceed institutional revenues. Notwithstanding, neither the Company nor any of its managed medical groups or IPAs are contractually obligated to pay claims to any hospitals or other institutions under these arrangements. The Department of Managed Health Care ("DMHC") of California licenses and regulates health care service plans pursuant to the Knox-Keene Act. We do not hold a limited Knox-Keene license. If DMHC were to determine that we have been inappropriately taking risk for institutional and professional services as a result of our various hospital and physician arrangements without having a limited Knox-Keene license, we may be required to obtain a limited Knox-Keene license to resolve such violations and we could be subject to civil and criminal liability, any of which could have a material adverse effect on our business, financial condition or results of operations.

Furthermore, some states require ACOs to be registered or otherwise comply with state insurance laws. Our affiliated ACO does not currently take financial risk, and is therefore not registered with any state insurance agency. If a state insurance agency were to determine that we have been inappropriately operating an ACO without state registration or licensure, we may be required to obtain such registration or licensure to resolve such violations and we could be subject to liability, which could have a material adverse effect on our business, financial condition or results of operations.

Licensing, Certification, Accreditation and Related Laws and Guidelines

Our clinical personnel are subject to numerous federal, state and local licensing laws and regulations, relating to, among other things, professional credentialing and professional ethics. Since the Company performs services at hospitals and other types of healthcare facilities, it may indirectly be subject to laws applicable to those entities as well as ethical guidelines and operating standards of professional trade associations and private accreditation commissions, such as the American Medical Association and The Joint Commission. There are penalties for non-compliance with these laws and standards, including loss of professional license, civil or criminal fines and penalties, loss of hospital admitting privileges, and exclusion from participation in various governmental and other third-party healthcare programs. Our ability to operate profitably will depend, in part, upon our ability and the ability of our affiliated physician organizations to obtain and maintain all necessary licenses and other approvals and operate in compliance with applicable health care laws and regulations, including any new laws and regulations or new interpretations of existing laws and regulations.

Professional Licensing Requirements

Our affiliated hospitalists must satisfy and maintain their individual professional licensing in each state where they practice medicine. Activities that qualify as professional misconduct under state law may subject them to sanctions, or to even lose their license and could, possibly, subject us to sanctions as well. Some state boards of medicine impose reciprocal discipline, that is, if a physician is disciplined for having committed professional misconduct in one state where he or she is licensed, another state where he or she is also licensed may impose the same discipline even though the conduct occurred in another state. Professional licensing sanctions may also result in exclusion from participation in governmental healthcare programs, such as Medicare and Medicaid, as well as other third-party programs. Our ability to operate profitably will depend, in part, upon our ability and the ability of our affiliated physician organizations to obtain and maintain all necessary licenses and other approvals and operate in compliance with applicable health care laws and regulations, including any new laws and regulations or new interpretations of existing laws and regulations.

Home Health and Hospice Regulation

We have invested in business lines consisting of home health, hospice and palliative care, which require compliance with additional regulatory requirements. For example, we must comply with laws relating to hospice care eligibility, the development and maintenance of plans of care, and the coordination of services with nursing homes or assisted living facilities where many of our patients live. In addition, our hospice programs are licensed as required under state law as either hospices or home health agencies.

The following is a discussion of the regulations that we believe most significantly affect our home health and hospice business.

Licensure, Certification, Accreditation and Related Laws and Guidelines

Our agencies and facilities are subject to state and local licensing regulations ranging from the adequacy of medical care, to compliance with building codes and environmental protection laws. To assure continued compliance with these various regulations, governmental and other authorities periodically inspect our agencies and facilities. Additionally, our clinical professionals are subject to numerous federal, state and local licensing laws and regulations, relating to, among other things, professional credentialing and professional ethics. Clinical professionals are also subject to state and federal regulation regarding prescribing medication and controlled substances. Each state defines the scope of practice of clinical professionals through legislation and through the respective Boards of Medicine and Nursing, and many states require that nurse practitioners and physician assistants work in collaboration with or under the supervision of a physician. There are penalties for noncompliance with these laws and standards, including the loss of professional license, civil or criminal fines and penalties, federal health care program disenrollment, loss of billing privileges, and exclusion from participation in various governmental and other third-party healthcare programs. We operate our business to ensure that our employees and agents possess all necessary licenses and certifications.

Reimbursement for palliative care and house call services is generally conditioned on our clinical professionals providing the correct procedure and diagnosis codes and properly documenting both the service itself and the medical necessity for the service. Incorrect or incomplete documentation and billing information, or the incorrect selection of codes for the level and type of service provided, could result in non-payment for services rendered or lead to allegations of billing fraud.

Medicare Participation

To participate in the Medicare program and receive Medicare payments, our agencies and facilities must comply with regulations promulgated by CMS. Among other things, these requirements, known as the "Conditions of Participation" relate to the type of facility, its personnel, and its standards of medical care, as well as its compliance with state and local laws and regulations. The Conditions of Participation for hospice programs include, but may not be limited to regulation of the: Governing Body, Medical Director, Direct Provision of Core Services, Professional Management of Non-Core Services, Plan of Care, Continuation of Care, Informed Consent, Training, Quality Assurance, Interdisciplinary Team, Volunteers, Licensure, Central Clinical Records, Surveys and Audits, Billing Audits/ Claims Reviews, Certificate of Need Laws and Other Restrictions, Limitations on For-Profit Ownership, Limits on the Acquisition or Conversion of Non-Profit Health Care Organizations, and Professional Licensure.

To be eligible for Medicare payments for home health services, a patient must be "homebound" (cannot leave home without considerable or taxing effort), require periodic skilled nursing or physical or speech therapy services, and receive treatment under a plan of care established and periodically reviewed by a physician based upon a face-to-face encounter between the patient and the physician.

From time to time we receive survey reports containing statements of deficiencies. We review such reports and take appropriate corrective action. If a hospice or home health agency were found to be out of compliance and actions were taken against that hospice or home health agency, this could materially adversely affect the entity's ability to continue to operate, to provide certain services and to participate in the Medicare and Medicaid programs, which could materially adversely affect our business operations.

Billing Audits/Claims Reviews. The Medicare program and its fiscal intermediaries and other payors periodically conduct pre-payment or post-payment reviews and other reviews and audits of health care claims, including hospice claims. There is pressure from state and federal governments and other payors to scrutinize health care claims to determine their validity and appropriateness. In order to conduct these reviews, the payor requests documentation from us and then reviews that documentation to determine compliance with applicable rules and regulations, including the eligibility of patients to receive hospice benefits, the appropriateness of the care provided to those patients and the documentation of that care. Our claims have been subject to review and audit. We make appropriate provisions in our accounting records to reduce our revenue for anticipated denial of payment related to these audits and reviews. We believe our hospice programs comply with all payor requirements at the time of billing. However, we cannot predict whether future billing reviews or similar audits by payors will result in material denials or reductions in revenue.

Professional Licensure and Participation Agreements. Many hospice employees are subject to federal and state laws and regulations governing the ethics and practice of their profession, including physicians, physical, speech and occupational therapists, social workers, home health aides, pharmacists and nurses. In addition, those professionals who are eligible to participate in the Medicare, Medicaid or other federal health care programs as individuals must not have been excluded from participation in those programs at any time.

Environmental and Occupational Health

We are subject to federal, state and local regulations governing the storage, use and disposal of materials and waste products. Although we believe that our safety procedures for storing, handling and disposing of these hazardous materials comply with the standards prescribed by law and regulation, we cannot completely eliminate the risk of accidental contamination or injury from those hazardous materials. In the event of an accident, we could be held liable for any damages that result and any liability could exceed the limits or fall outside the coverage of our insurance. We may not be able to maintain insurance on acceptable terms, or at all we could incur significant costs and the diversion of our management's attention to comply with current or future environmental laws and regulations.

Federal regulations promulgated by the Occupational Safety and Health Administration impose additional requirements on us including those protecting employees from exposure to elements such as blood-borne pathogens. We cannot predict the frequency of compliance, monitoring, or enforcement actions to which we may be subject as those regulations are implemented, and regulations might adversely affect our operations.

EMPLOYEES

As of March 31, 2016, ApolloMed, its subsidiaries and its consolidated affiliates (including affiliated clinics) had 150 employees, of whom 148 were full-time and 2 were part-time, and more than 85 employed or independent contractor physicians. We also had a broader physician network which, as of March 31, 2016, consisted of approximately 1,000 additional contracted physicians who provided services to us. None of our employees is a member of a labor union, and we have never experienced a work stoppage. We believe that we enjoy a good working relationship with our employees.

ITEM 1A. RISK FACTORS

Risk Relating to Our Business

We might need to raise additional capital, which might not be available.

We may require significant additional capital for general working capital and debt service needs. If our cash flow and existing working capital are not sufficient to fund our general working capital and debt service requirements, we will have to raise additional funds by selling equity, issuing debt, refinancing some or all of our existing debt or selling assets or subsidiaries. None of these alternatives for raising additional funds may be available, or available on acceptable terms to us, in amounts sufficient for us to meet our requirements. Our failure to obtain any required new financing may, if needed, require us to reduce or curtail certain existing operations or make us unable to continue to operate our business.

We have a history of losses, and may have to further reduce our costs by curtailing future operations to continue as a business.

Historically, we have had operating losses and our cash flow has been inadequate to support our ongoing operations. For the year ended March 31, 2016, we had a net loss of approximately \$8.2 million, and as of March 31, 2016, we had an accumulated deficit of approximately \$29 million. Our ability to fund our capital requirements out of our available cash and cash generated from our operations depends on a number of factors, including our ability to integrate recently acquired businesses and continue growing our existing operations. If we cannot continue to generate positive cash flow from operations, we will have to reduce our costs and/or try to raise working capital from other sources. These measures could materially and adversely affect our ability to operate our business as we presently do and execute our business model.

The terms of debt agreements could restrict our operations, particularly our ability to respond to changes in our business or to take specified actions and an event of default under our debt agreements could harm our business.

Agreements for any future indebtedness would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to take actions that may be in our best interests. Debt agreements often include covenants that, among other things, generally:

- do not allow the borrower to borrow additional amounts or additional amounts above a certain limit, or that are senior to the existing debt, without the approval of the creditor;
- require the borrower to obtain the consent of the creditor for acquisitions in excess of an agreed upon amount and/or grant security interests in newly-acquired companies;
- do not allow the borrower to dispose of assets;

- do not allow the borrower to liquidate, wind up or dissolve any of its subsidiaries without the creditor's approval;
- do not allow the borrower to create any liens on any of its assets;
- require the borrower not to impair any security interests that the creditor has in the borrower's assets; and
- require the borrower to meet, on an ongoing basis, certain financial covenants, which may include targets as to consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA"), leverage ratio, fixed charge coverage ratio and consolidated tangible net worth.

No assurances can be given that we will be able to meet any of the financial covenants in favor of a creditor, and, if we were to fail to meet any financial covenants, there would be an event of default, in which case no assurance can be given that a creditor would waive such default, which in turn could result in a material adverse effect on our financial condition and ability to continue our operations.

We are required to prepare and file with the SEC a registration statement covering the sale of a former creditor's registrable securities by April 28, 2017.

On March 28, 2014, we entered into a Credit Agreement (the "Credit Agreement") with NNA of Nevada, Inc. ("NNA"), an affiliate of Fresenius SE & Co. KGaA ("Fresenius"), which has been amended from time to time. Presently, we are required to prepare and file with the SEC a registration statement covering the sale of NNA's registrable securities issued pursuant to the Credit Agreement by April 28, 2017. If we fail to do so by such date, and for each month thereafter until we file the registration statement registering NNA's registrable securities, we must pay NNA liquidated damages of 1.5% of the total purchase price of the registrable securities owned by NNA, payable in Common Stock. This may result in the dilution of the ownership interests of our stockholders.

We are required to obtain NNA's consent to the preparation and filing of any registration statement.

We will have to obtain the consent of NNA before filing any registration statement, and there can be no assurance that NNA will provide such a consent. If NNA does not provide such a consent, or conditioned its consent on any new requirements, we may be unable to file a registration statement in the future, even if such filing is necessary to raise capital needed to operate our business.

The nature of our business and rapid changes in the healthcare industry makes it difficult to reliably predict future growth and operating results.

Rapidly changing Federal and state healthcare laws, and the regulations thereunder, make it difficult to anticipate the nature and amount of medical reimbursements, third party private payments and participation in certain government programs. For example, we were awarded a participation agreement under CMS' MSSP in July 2012, to operate as an ACO. ACO has received an "all or nothing" payment under the MSSP program for services rendered in fiscal 2015, but did not receive such a payment for fiscal 2016. This makes it difficult to forecast our future earnings, cash flow and results of operations. The evolving nature of the current medical services industry increases these uncertainties.

We may be unable to successfully integrate recently acquired and launched entities and may have difficulty predicting the future needs of those entities.

In fiscal 2015, we acquired SCHC, AKM, BCHC and HCHHA, and launched ApolloMed Care Clinic and ApolloMed Palliative Services. In fiscal 2016, we formed Apollo Care Connect and combined the operations of AKM into those of MMG.

As a result of our rapid expansion we may be unable to successfully integrate the various entities we have acquired or formed. Additionally, these entities operate in different areas of the health care industry and we cannot accurately predict how these acquired entities will perform in the future, integrate into our entire operations or result in a diversion of management focus and attention to others parts of our business.

Our growth strategy may not prove viable and expected growth and value may not be realized.

Our business strategy is to grow rapidly by managing a network of medical groups providing certain hospital-based services and integrated inpatient and outpatient physician networks. We also seek growth opportunities both organically and through the acquisition of target medical groups and other service providers. Identifying quality acquisition candidates is a time-consuming and costly process. There can be no assurance that we will be successful in identifying and establishing relationships with these and other candidates. If we are not successful in identifying and acquiring other entities, our ability to successfully implement our business plan and achieve targeted financial results could be adversely affected. The process of integrating acquired entities involves significant risks, which include, but are not limited to:

- demands on our management team related to the significant increase in the size of our business;
- diversion of management's attention from the management of daily operations;
- difficulties in the assimilation of different corporate cultures and business practices;
- difficulties in conforming the acquired entities' accounting policies to ours;
- retaining employees who may be vital to the integration of departments, information technology systems, including accounting;
- systems, technologies, books and records, procedures and maintaining uniform standards, such as internal accounting controls;
- procedures, and policies; and
- costs and expenses associated with any undisclosed or potential liabilities.

There is no assurance that we will be able to manage the integration of our acquisitions or the growth of such acquisitions effectively.

An element of our growth strategy is also the expansion of our business by developing new palliative care programs in our existing markets and in new markets. This aspect of our growth strategy may not be successful, which could adversely impact our overall growth and profitability. We cannot assure you that we will be able to:

- identify markets that meet our selection criteria for new palliative care programs;
- hire and retain a qualified management team to operate each of our new palliative care programs;
- manage a large and geographically diverse group of palliative care programs;
- become Medicare and Medicaid certified in new markets;
- generate a sufficient patient base in new markets to operate profitably in these new markets; or
- compete effectively with existing programs.

We may not make appropriate acquisitions, may fail to integrate them into our business, or these acquisitions could alter our current payor mix and reduce our revenue.

Our business is significantly dependent on locating and acquiring or partnering with medical practices or individual physicians to provide health care services. As part of our growth strategy, we regularly review potential acquisition opportunities. We cannot predict whether we will be successful in pursuing such acquisition opportunities or what the consequences of any such acquisitions would be. If we are not successful in finding attractive acquisition candidates that we can acquire on satisfactory terms, or if we cannot successfully complete and efficiently integrate those acquisitions that we identify, we may not be able to implement our business model, which would likely negatively impact our revenues, results of operations and financial condition. Furthermore, our acquisition strategy involves a number of risks and uncertainties, including:

- We may not be able to identify suitable acquisition candidates or strategic opportunities or successfully implement or realize the expected benefits of any suitable opportunities. In addition, we compete for acquisitions with other potential acquirers, some of which may have greater financial or operational resources than we do. This competition may intensify due to the ongoing consolidation in the healthcare industry, which may increase our acquisition costs.
- We may be unable to successfully and efficiently integrate completed acquisitions, including our recently completed acquisitions and such acquisitions may fail to achieve the financial results we expected. Integrating completed acquisitions into our existing operations involves numerous short-term and long-term risks, including diversion of our management's attention, failure to retain key personnel, failure to retain payor contracts and failure of the acquired practice to be financially successful.
- We cannot be certain of the extent of any unknown or contingent liabilities of any acquired business, including liabilities for failure to comply with applicable laws. We may incur material liabilities for past activities of acquired entities. Also, depending on the location of the acquisition, we may be required to comply with laws and regulations that may differ from those of the states in which our operations are currently conducted.
- We may acquire individual or group medical practices that operate with lower profit margins as compared with our current or expected profit margins or which have a different payor mix than our other practice groups, which would reduce our profit margins. Depending upon the nature of the local healthcare market, we may not be able to implement our business model in every local market that we enter, which may negatively impact our revenues and financial condition.
- If we finance acquisitions by issuing equity securities or securities convertible into equity securities, our existing stockholders could be diluted, which, in turn, could adversely affect the market price of our stock. If we finance an acquisition with debt, it could result in higher leverage and interest costs. As a result, if we fail to evaluate and execute acquisitions properly, we might not achieve the anticipated benefits of these acquisitions, and we may increase our acquisition costs.

Changes to the fair value of contingent compensation payments to be paid in connection with our acquisitions may result in significant fluctuations to our results of operations.

In connection with some of our recent acquisitions we are required to make certain contingent compensation payments. The fair value of such payments is re-evaluated periodically based on changes in our estimate of future operating results and changes in market discount rates. Any changes in our estimated fair value are recognized in our results of operations. Increases in the amount of contingent compensation payments were required to make may have an adverse effect on our financial condition.

Our management team's attention may be diverted by recent acquisitions and searches for new acquisition targets, and our business and operations may suffer adverse consequences as a result.

Mergers and acquisitions are time-intensive, requiring significant commitment of our management team's focus and resources. If our management team spends too much time focused on recent acquisitions or on potential acquisition targets, our management team may not have sufficient time to focus on our existing business and operations. This diversion of attention could have material and adverse consequences on our operations and our ability to be profitable.

Our growth strategy incurs significant costs, which could adversely affect our financial condition.

Our growth-by-acquisition strategy involves significant costs, including legal and accounting fees, and may include additional costs, including labor costs, termination payments, contingent payments and bonuses, among others. These costs could put a strain on our available cash and cash flow, which in turn could adversely affect our overall financial condition.

We may be unable to scale our operations successfully.

Our growth strategy will place significant demands on our management and financial, administrative and other resources. Operating results will depend substantially on the ability of our officers and key employees to manage changing business conditions and to implement and improve our financial, administrative and other resources. If we are unable to respond to and manage changing business conditions, or the scale of our operations, the quality of our services, our ability to retain key personnel and our business could be adversely affected.

We could experience significant losses under our capitation-based contracts if the medical expenses we incur exceed revenues.

In California, health plans typically prospectively pay an IPA a fixed PMPM amount, or capitation payment, which is often based on a percentage of the amount received by the health plan. Capitation payments to IPAs, in the aggregate, represent a prospective budget from which the IPA manages care-related expenses on behalf of the population enrolled with that IPA. If our IPAs are able to manage care-related expenses under the capitated levels, we realize an operating profit on our capitation contracts. However, if our care-related expenses exceed projected levels, our IPAs may realize substantial operating deficits, which are not capped and could lead to substantial losses.

Our future growth could be harmed if we lose the services of certain key personnel.

Our success depends to a significant extent on the continued contributions of our key management personnel, including our Chief Executive Officer, Warren Hosseinion, M.D., for the management of our business and implementation of our business strategy. We have entered into employment agreements with Dr. Hosseinion and we hold a \$5 million key man life insurance policy. The loss of Dr. Hosseinion's services or those of other key management could have a material adverse effect on our business, financial condition and results of operations.

Our current principal stockholders have significant influence over us and they could delay, deter or prevent a change of control or other business combination or otherwise cause us to take action with which you might not agree. This includes that Warren Hosseinion, M.D. and Adrian Vazquez, M.D., combined currently own more than 27% of our shares and have significant influence over our operations and strategic direction.

Our executive officers and directors, together with holders of greater than 5% of our outstanding common stock, as a group, currently beneficially own a majority of our outstanding common stock. As a result, our executive officers, directors and holders of greater than 5% of our outstanding common stock, assuming they agree with our principal shareholders, have the ability to control all matters submitted to our stockholders for approval, including:

- changes to the composition of our Board of Directors, which has the authority to direct our business and appoint and remove our officers;
- proposed mergers, consolidations or other business combinations; and
- amendments to our Certificate of Incorporation and Bylaws which govern the rights attached to our shares of common stock.

This concentration of ownership of shares of our common stock could delay or prevent proxy contests, mergers, tender offers, open market purchase programs or other purchases of shares of our common stock that might otherwise give our stockholders the opportunity to realize a premium over the then prevailing market price of our common stock. The interests of our executive officers, directors and holders of greater than 5% of our outstanding common stock may not always coincide with the interests of the other stockholders. This concentration of ownership may also adversely affect our stock price.

This concentration of ownership is underscored by the fact that Dr. Hosseinion (who currently owns approximately 15% of our common stock) and Dr. Vazquez (who currently owns approximately 13% of our common stock) together currently own more than 27% of our common stock and exert a significant degree of influence over our management and affairs and over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. As stockholders, Drs. Hosseinion and Vazquez are entitled to vote their shares in their own interests, which may not always be in the interests of our stockholders generally. Their concentrated holdings of so much of our common stock may harm the value of our shares and discourage investors from investing in us. Drs. Hosseinion and Vazquez could also seek to delay, defer or prevent a change of control, merger, consolidation or sale of all or substantially all of our assets that our other stockholders support, or conversely this concentrated control could result in the consummation of a transaction that our other stockholders do not support.

If our agreements or arrangements with Dr. Hosseinion or physician groups are deemed invalid under state corporate practice of medicine and similar laws, or Federal law, or are terminated as a result of changes in state law, it could have a material impact on our results of operations and financial condition.

There are various state laws, including laws in California, regulating the corporate practice of medicine which prohibits us from owning various healthcare entities. These corporate practice of medicine prohibitions are intended to prevent unlicensed persons from interfering with or inappropriately influencing a physician's professional judgment. These and other laws may also prevent fee-splitting, which is the sharing of professional service income with non-professional or business interests. The interpretation and enforcement of these laws vary significantly from state to state. As a result, we have structured other agreements and arrangements with these entities, such as having Dr. Hosseinion hold shares in such practices as our nominee shareholder. These agreements and arrangements may not be as effective in providing control as direct ownership. If these agreements and arrangements were held to be invalid under state laws prohibiting the corporate practice of medicine, a significant portion of our revenues could be affected, which may result in a material adverse effect on our results of operations and financial condition. Additionally, any changes to Federal or state law that prohibited such agreements or arrangements could also have a material adverse effect upon our results of operations and financial condition.

If we lost the services of Dr. Hosseinion for any reason, the contractual arrangements with our VIEs could be in jeopardy.

Because of corporate practice of medicine laws, many of our affiliated physician practice groups are either wholly-owned or primarily owned by Dr. Hosseinion as our nominee shareholder. If Dr. Hosseinion died, was incapacitated or otherwise was no longer affiliated with our Company there could be a material adverse effect on the relationship between us and each of those VIEs and, therefore, our business as a whole could be adversely affected.

The contractual arrangements we have with ours VIEs is not as secure as direct ownership of such entities.

Because of corporate practice of medicine laws, we enter into contractual arrangements to manage certain affiliated physician practice groups, which allows us to consolidate those groups with us for financial reporting purposes. If we had direct ownership of certain of our affiliated entities, we would be able to exercise our rights as an equity holder directly to effect changes in the boards of directors of those entities, which could effect changes at the management and operational level. Under our contractual arrangements, we may not be able to directly change the members of the boards of directors of these entities and would have to rely on the entities and the entities' equity holders to perform their obligations in order to exercise our control over the entities. If any of these affiliated entities or their equity holders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements

We rely on certain key personnel who could stop services to us. Any failure by our key affiliated entities or their equity holders to perform their obligations under the contractual arrangements would have a material adverse effect on our business, results of operations and financial condition. We also own the majority, and not all, of the equity of our key subsidiaries.

MMG and other affiliated physician practice groups are or may be owned by other physicians who could die, become incapacitated or otherwise become no longer affiliated with us. Although the terms of the contractual agreements provide that they will be binding on the successors of the entities' equity holders, as those successors are not parties to these agreements, it is uncertain whether the successors in case of the death, bankruptcy or divorce of an equity holder would be subject to such agreements.

In addition, although we consolidate in our financial reporting and business structure ApolloMed ACO and ApolloMed Palliative, individuals other than Dr. Hosseinion, who acts as nominee shareholder for the benefit of AMM, also own approximately 20% of the equity of ApolloMed ACO and 44% of the equity in ApolloMed Palliative.

Our operations are dependent on a few key payors.

We had three payors during the year ended March 31, 2016 that accounted for 29.8%, 15.7% and 9.9% of net revenues, respectively. We had three payors during the year ended March 31, 2015 that accounted for 34.8%, 13.2% and 12.3% of net revenues, respectively. We believe that a majority of our revenue will continue to be derived from a few payors. Each payor may immediately terminate any of our contracts or any individual credentialed physician upon the occurrence of certain events. They may also amend the material terms of the contracts under certain circumstances. Failure to maintain the contracts on favorable terms or at all, for any reason, would materially and adversely affect our results of operations and financial condition.

A decline in the number of patients we serve could have a material adverse effect on our results of operations.

Like any business, a material decline in the number of patients we serve, whether they or a third party government or private entity is paying for their healthcare, could have a material adverse effect on our results of operations and financial condition.

ACOs are relatively new and undergoing changes, additionally CMS may change or discontinue the MSSP program

The Company has invested resources in both applying to participate in the MSSP and in establishing initial infrastructure. The MSSP program and the rules regarding ACOs may be altered in the future. Any material change to the MSSP program and ACO requirements, governance and operating rules, could provide a significant financial risk for us and alter our strategic direction, thereby producing stockholder risk and uncertainty. In addition, we could be terminated from the MSSP if we do not comply with the MSSP participation requirements.

ApolloMed ACO may not generate savings through its participation in the MSSP, and revenue, if any, earned by such participation will occur, only once annually on an "all or nothing" basis.

ApolloMed ACO participates in the MSSP sponsored by CMS. The MSSP is a relatively new program with limited history of payments to ACO participants. As a result of the uncertain nature of the MSSP program, we consider revenue, if any, under the MSSP, as contingent upon the realization of program savings as determined by CMS, and revenues are not considered earned and therefore are not recognized until notice from CMS that cash payments are to be imminently received.

In addition, there is no assurance that we will meet the conditions necessary for receipt of future payments. Furthermore, our ability to continue to generate savings for the MSSP program depends on many factors, many of which are outside our control, including, among others, how CMS elects to administer the MSSP program, how savings levels are calculated and continued political support of the MSSP program. As a result, whether future revenues will be earned by ApolloMed ACO is uncertain and will be contingent on various factors, including whether savings were determined to be achieved in 2015 or in any other period during which savings are measured.

During the year ended March 31, 2015, we were awarded and received approximately a \$5.4 million payment related to savings achieved from July 1, 2012, through December 31, 2013, which represented 16% of our net revenue during the year ended March 31, 2015. During the year ended March 31, 2016, we did not receive any MSSP payment.

Moreover, if amounts are payable to us under the MSSP, they will be paid on an annual basis significantly after the time they are earned. Additionally, since MSSP payments, if any, are made once annually, we would not receive such payments spread out over our fiscal year and, consequently, revenue may be materially lower in quarters when any MSSP-related payments are not received by us.

Risk-sharing arrangements that MMG has with health plans and hospitals could result in their costs exceeding the corresponding revenues, which could reduce or eliminate any shared risk profitability. MMG also has a key contract with PMG and its management service organization, which if terminated could materially affect our business.

Under risk-sharing arrangements into which MMG has entered, MMG is responsible for a portion of the cost of hospital services or other services that are not capitated. These risk-sharing arrangements may require MMG to assume a portion of any loss sustained from such arrangements, thereby adversely affecting our results of operations. The terms of the particular risk-sharing arrangement allocate responsibility to the respective parties when the cost of services exceeds the related revenue, which results in a deficit, or permit the parties to share in any surplus amounts when actual costs are less than the related revenue. The amount of non-capitated medical and hospital costs in any period could be affected by factors beyond the control of MMG, such as changes in treatment protocols, new technologies, longer lengths of stay by the patient, and inflation. To the extent that such non-capitated medical and hospital costs are higher than anticipated, revenue may not be sufficient to cover the risk-sharing deficits the health plans and MMG are responsible for, which could reduce our revenue and adversely affect our results of operations.

MMG is currently not in compliance with certain financial requirements of the DMHC.

Our IPA, MMG, is currently not in compliance with certain financial requirements of the DMHC. We have increased our intercompany line of credit to MMG to provide additional capital in attempt to comply partially with the DMHC's requirements. Nonetheless, through a plan of remediation that we must present to the DMHC for its approval, we still must either contribute additional funds, cut costs, increase revenue or a combination of the above, to bring MMG back into compliance. We do not believe that cutting costs alone will bring MMG back into compliance. There can be no assurance that we can increase revenue sufficiently and, if we increase revenue sufficiently, sustain such revenue increase, to bring MMG back into compliance. To the extent that we are required to contribute additional capital to MMG, which would likely be in the form of a subordinated loan, we would have less available cash to use on other parts of our business.

Economic conditions or changing consumer preferences could adversely impact our business.

A downturn in economic conditions in one or more of our markets could have a material adverse effect on our results of operations, financial condition, business and prospects. Historically, state budget limitations have resulted in reduced state spending. Given that Medicaid is a significant component of state budgets, an economic downturn would put continued cost containment pressures on Medicaid outlays for our services in California. In addition, an economic downturn and/or sustained unemployment, may also impact the number of enrollees in managed care programs as well as the profitability of managed care companies, which could result in reduced reimbursement rates.

The existing Federal deficit, as well as deficit spending by the government as the result of adverse developments in the economy or other reasons, can lead to continuing pressure to reduce government expenditures for other purposes, including government-funded programs in which we participate, such as Medicare and Medicaid. Such actions in turn may adversely affect our results of operations.

Although we attempt to stay informed of government and customer trends, any sustained failure to identify and respond to trends could have a material adverse effect on our results of operations, financial condition, business and prospects.

Our success depends, to a significant degree, upon our ability to adapt to a changing market and continued development of additional services.

Although we expect to provide a broad and competitive range of services, there can be no assurance of acceptance by the marketplace. Our ability to procure new contracts may be dependent upon the continuing results achieved at the current facilities, upon pricing and operational considerations, and the potential need for continuing improvement to existing services. Moreover, the markets for such services may not develop as expected nor can there be any assurance that we will be successful in our marketing of any such services.

Competition for physicians is intense, and we may not be able to hire and retain qualified physicians to provide services.

We are dependent on our affiliated physicians to provide services and generate revenue. We compete with many types of healthcare providers, including teaching, research and government institutions, hospitals and other practice groups, for the services of clinicians. The limited number of residents entering the job market each year and the limited number of other licensed providers seeking to change employers makes it challenging to meet our hiring needs and may require us to contract *locum tenens* physicians or to increase physician compensation in a manner that decreases our profit margins. The limited number of residents and other licensed providers also impacts our ability to recruit new physicians with the expertise necessary to provide services within our business and our ability to renew contracts with existing physicians on acceptable terms. If we do not do so, our ability to provide services could be adversely affected. Even though our physician turnover rate has remained stable over at least the last three years, if the turnover rate were to increase significantly, our growth could be adversely affected.

Moreover, unlike some of our competitors who sometimes pay additional compensation to physicians who agree to provide services exclusively to that competitor, our IPAs have historically not entered into such exclusivity agreements and have allowed our affiliated physicians to affiliate with multiple IPAs. This practice may place us at a competitive disadvantage regarding the hiring and retention of physicians relative to those competitors who do enter into such exclusivity agreements.

The healthcare industry continues to experience shortages in qualified service employees and management personnel, and we may be unable to hire qualified employees.

We compete with other healthcare providers for our employees, both clinical associates and management personnel. As the demand for health services continues to exceed the supply of available and qualified staff, we and our competitors have been forced to offer more attractive wage and benefit packages to these professionals. Furthermore, the competition for this segment of the labor market has created turnover as many seek to take advantage of the supply of available positions, many of which offer new and more attractive wage and benefit packages. In addition to the wage pressures described above, the cost of training new employees amid the turnover rates may cause added pressure on our operating margins. Lastly, the market for qualified nurses and therapists is highly competitive, which may adversely affect our palliative, home health and hospice operations, which are particularly dependent on nurses for patient care.

The health care industry is highly competitive.

There are many other companies and individuals currently providing health care services, many of which have been in business longer than we have been, and/or have substantially more financial and personnel resources than we have. We compete directly with national, regional and local providers of inpatient healthcare for patients and physicians. Other companies could enter the market in the future and divert some or all of our business. On a national basis, our competitors include, but are not limited to, Team Health, EmCare, DaVita and Heritage, each of which has greater financial and other resources available to them. We also compete with physician groups and privately-owned health care companies in each of our local markets. Existing or future competitors also may seek to compete with us for acquisitions, which could have the effect of increasing the price and reducing the number of suitable acquisitions, which would have an adverse impact on our growth strategy. Since there are virtually no capital expenditures required to enter the industry, there are few financial barriers to entry. Individual physicians, physician groups and companies in other healthcare industry segments, including hospitals with which we have contracts, and some of which have greater financial, marketing and staffing resources, may become competitors in providing health care services, and this competition may have a material adverse effect on our business operations and financial position. In addition, certain governmental payors contract for services with independent providers such that our relationships with these payors are not exclusive, particularly in California.

Additionally, as we have expanded into palliative, home health and hospice care through the launch of ApolloMed Palliative, we face competitors that have traditionally concentrated in this segment and that may have greater resources and specialized expertise than we have. In many areas in which our palliative, home health and hospice care programs are located, we compete with a large number of organizations, including:

- community-based home health and hospice providers;
- national and regional companies;
- hospital-based home health agencies, hospice and palliative care programs; and
- nursing homes.

We may be unable to compete successfully with these competitors in palliative, home health and hospice care, and may expend significant resources without success.

We rely on referrals from third parties for our services.

Our business relies in part on referrals from third parties for our services. We receive referrals from community medical providers, emergency departments, payors, and hospitals in the same manner as other medical professionals receive patient referrals. We do not provide compensation or other remuneration to our referral sources for referring patients to us. A decrease in these referrals due to competition, concerns about the quality of our services and other factors could result in a significant decrease in our revenues and adversely impact our financial condition. Similarly, we cannot assure that we will be able to obtain or maintain preferred provider status with significant third-party payors in the communities where we operate. If we are unable to maintain our referral base or our preferred provider status with significant third-party payors, it may negatively impact our revenues and our financial performance.

Hospitals and other inpatient and post-acute care facilities may terminate their agreements with us or reduce the fees they pay us.

For the year ended March 31, 2016, we derived approximately 13% of our net revenue for physician services from contracts directly with hospitals, other inpatient and post-acute care facilities. Our current partner facilities may decide not to renew our contracts, introduce unfavorable terms, or reduce fees paid to us. Any of these events may impact the ability of our physician practice groups to operate at such facilities, which would negatively impact our revenue, results of operations and financial condition.

Some of the hospitals where our affiliated physicians provide services may have their medical staff closed to non-contracted physicians.

In general, our affiliated physicians may only provide services in a hospital where they have certain credentials, called privileges, which are granted by the medical staff and controlled by the legally binding medical staff bylaws of the hospital. The medical staff decides who will receive privileges and the medical staff of the hospitals where we currently provide services or wish to provide services could decide that non-contracted physicians can no longer receive privileges to practice there. Such a decision would limit our ability to furnish services in a hospital, decrease the number of our affiliated physicians who could provide services or preclude us from entering new hospitals. In addition, hospitals may attempt to enter into exclusive contracts for physician services, which would reduce access to certain populations of patients within the hospital.

We may have difficulty collecting payments from third-party payors in a timely manner.

We derive significant revenue from third-party payors, and delays in payment or audits leading to refunds to payors may adversely impact our net revenue. We assume the financial risks relating to uncollectible and delayed payments. In particular, we rely on some key governmental payors. Governmental payors typically pay on a more extended payment cycle, which could result in our incurring expenses prior to receiving corresponding revenue. In the current healthcare environment, payors are continuing their efforts to control expenditures for healthcare, including proposals to revise coverage and reimbursement policies. We may experience difficulties in collecting revenue because third-party payors may seek to reduce or delay payment to which we believe we are entitled. If we are not paid fully and in a timely manner for such services or there is a finding that we were incorrectly paid, our revenues, cash flows and financial condition could be adversely affected.

Decreases in payor rates could adversely affect us.

Decreases in payor rates, either prospectively or retroactively, could have a significant adverse effect on our revenue, cash flow and results of operations. For example, during fiscal 2016, Health Net, Inc. reduced payor rates to their payees, including us, retroactive to July 1, 2015 and LA Care reduced payor rates to their payees, including us, retroactive to January 1, 2016.

Our business model depends on numerous complex management information systems, and any failure to successfully maintain these systems or implement new systems could undermine our ability to receive ACO payments and otherwise materially harm our operations and result in potential violations of healthcare laws and regulations.

We depend on a complex, specialized, integrated management information system and standardized procedures for operational and financial information, as well as for our billing operations. We may be unable to enhance our existing management information systems or implement new management information systems where necessary. Additionally, we may experience unanticipated delays, complications or expenses in implementing, integrating and operating our systems. Our management information systems may require modifications, improvements or replacements that may require both substantial expenditures as well as interruptions in operations. Our ability to implement these systems is subject to the availability of information technology and skilled personnel to assist us in creating and implementing these systems. Our failure to successfully implement and maintain all of our systems could undermine our ability to receive MSSP payments and otherwise have a material adverse effect on our business, results of operations and financial condition. Additionally, our failure to successfully operate our billing systems could lead to potential violations of healthcare laws and regulations.

We have identified material weaknesses in our internal controls, and we cannot provide assurances that these weaknesses will be effectively remediated or that additional material weaknesses will not occur in the future. If our internal control over financial reporting or our disclosure controls and procedures are not effective, we may not be able to accurately report our financial results, prevent fraud or file our periodic reports in a timely manner, which may cause investors to lose confidence in our reported financial information and could lead to a decline in our stock price.

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. We have identified a number of material weaknesses in our disclosure controls and procedures. These material weaknesses could allow the reporting of inaccurate or incomplete information regarding our business in our public filings and will require us to devote substantial resources to mitigating and resolving the weaknesses we have identified.

Additionally, we intend to continue to grow our business, in part, through the acquisition of new entities. When we acquire such existing entities our due diligence may fail to discover defects or deficiencies in the design and operations of the internal controls over financial reporting of such entities, or defects or deficiencies in the internal controls over financial reporting may arise when we try to integrate the operations of these newly acquired companies with our own. We can provide no assurances that we will not experience such issues in future acquisitions, the result of which could have a material adverse effect on our financial statements.

The requirements of remaining a public company may strain our resources and distract our management, which could make it difficult to manage our business.

We are required to comply with various regulatory and reporting requirements, including those required by the SEC. Complying with these reporting and other regulatory requirements are time-consuming and expensive and could have a negative effect on our business, results of operations and financial condition.

From time to time we may be required to write-off intangible assets, such as goodwill, due to impairment.

Our intangible assets are subject to annual impairment testing. Under current accounting standards, goodwill is tested for impairment on an annual basis and we may be subject to impairment losses as circumstances change after an acquisition. If we record an impairment loss related to our goodwill, it could have a material adverse effect on our results of operations for the year in which the impairment is recorded.

We currently derive 100% of our revenues in California and are vulnerable to changes in California healthcare laws and regulations.

Our business and operations are concentrated in one state, California. Any material changes by California with respect to strategy, taxation and economics of healthcare delivery, reimbursements, financial requirements or other aspects of regulation of the healthcare industry could have an adverse effect on our operations and cost of doing business.

A prolonged disruption of the capital and/or credit markets may adversely affect our future access to capital, our cost of capital and our ability to continue operations.

We have relied substantially on the capital and credit markets for liquidity and to execute our business strategies, which includes a combination of internal growth and acquisitions. Volatility and disruption of the U.S. capital and credit markets may adversely affect our access to capital and increase our cost of capital. Should current economic and market conditions deteriorate, our ability to finance our ongoing operations and our expansion may be adversely affected, we may be unable to raise necessary funds, our cost of debt or equity capital may increase significantly and future access to capital markets may be adversely affected.

If we cannot raise required capital, we may have to reduce or curtail certain existing operations.

We require significant capital for general working capital needs. If our cash flow and existing working capital are not sufficient to fund our general working capital requirements, we will have to raise additional funds by selling equity, issuing debt, refinancing some or all of our existing debt or selling assets or subsidiaries. None of these alternatives for raising additional funds may be available, or available on acceptable terms to us, in amounts sufficient for us to meet our requirements. Our failure to obtain any required new financing may, if needed, require us to reduce or curtail certain existing operations.

We may be required to use a significant amount of cash on hand and/or raise capital if the holder of our Series A convertible preferred stock elects to have such stock redeemed.

The holder of our Series A convertible preferred stock has the right, under certain circumstances, to compel us to redeem that stock. The initial investment in our Series A convertible preferred stock was \$10 million. If the holder exercises its right of redemption later in fiscal 2016 we would have one year to consummate the redemption and we would be required to use a significant amount of cash on hand and/or raise capital in the form of equity or debt, in order to redeem the Series A convertible preferred stock. The use of cash on hand would prohibit us from using such cash for other purposes, including growth. There can be no assurance that we would be able to raise capital to consummate the redemption on favorable terms, or at all. Our failure to consummate a redemption once the right is exercised by the holder of our Series A convertible preferred stock would constitute a default under the securities purchase agreement pursuant to which we issued the Series A convertible preferred stock and subject us to significant damages.

Uncertain or adverse economic conditions may have a negative impact on our industry, business, results of operations or financial position.

Uncertain or adverse economic conditions could have a negative effect on the fundamentals of our business, results of operations and/or financial position. These conditions could have a negative impact on our industry. There can be no assurance that we will not experience any material adverse effect on our business as a result of future economic conditions or that the actions of the United States Government, Federal Reserve or other governmental and regulatory bodies for the purpose of stimulating the economy or financial markets will achieve their intended effect. Additionally, some of these actions may adversely affect financial institutions, capital providers, advertisers or other consumers or our financial condition, results of operations or the trading price of our securities. Potential consequences of the foregoing include:

- our ability to issue equity and/or borrow capital on terms and conditions that we find acceptable, or at all, may be limited, which could limit our ability to refinance our existing debt;
- potential increased costs of borrowing capital if interest rates rise;
- adverse terms imposed on us by any equity investor;
- the possible impairment of some or all of the value of our goodwill and other intangible assets; and
- the possibility that any then-existing lenders could refuse to fund any commitment to us or could fail, and we may not be able to replace the financing commitment of any such lender on satisfactory terms, or at all.

Actual or perceived difficulties in the global capital and credit markets have adversely affected, and uncertain or adverse economic conditions may negatively affect, our business.

Declines in consumer and business confidence and private as well as government spending during and since the last recession, together with significant reductions in the availability and increases in the cost of credit and volatility in the capital and credit markets, as well as government budgeting, have adversely affected the business and economic environment in which we operate and can affect the profitability of our business. Our business is significantly exposed to risks associated with government spending and private payor reimbursement rates. The consequences of such adverse effects could include the delay or cancellation of consumer spending for discretionary and non-reimbursed healthcare, and reductions in reimbursements from private and government payors, which we have experienced. The continuation or recurrence of any of these conditions may adversely affect our cash flow, profitability and financial condition. Although the markets have improved since the depths of the last recession, the overall economic recovery has continued to be uneven. Future disruption of the credit markets, increases in interest rates and/or sluggish economic growth in future periods could adversely affect our patients' spending habits, private payors' access to capital (which supports the continuation and expansion of their businesses) and governmental budgetary processes, and, in turn, could result in reduced income to us.

Current uncertain economic conditions may affect our financial performance or our ability to forecast our business with accuracy.

Our operations and performance depend primarily on California and U.S. economic conditions and their impact on purchases of, or capitated rates for, our delivery of healthcare services. As a result of the global financial crisis that began in 2008, which was experienced on a broad and extensive scope and scale, and the last recession in the United States, general economic conditions deteriorated significantly, and the economic recovery since that time has been uneven. Economic conditions may remain uncertain for the foreseeable future. We believe that this general economic uncertainty may continue in future periods, as our patients, private payors and government payors alter their purchasing activities in response to the new economic reality, and, among other things, our patients may change or scale back healthcare spending, and private and government payors could reduce reimbursement rates, which we have experienced. This uncertainty may also affect our ability to prepare accurate financial forecasts or meet specific forecasted results. If we are unable to adequately respond to or forecast further changes in demand for healthcare services, our results of operations, financial condition and business prospects may be materially and adversely affected.

Many of our agreements with hospitals and medical groups are relatively short term or may be terminated without cause by providing advance notice, and any such termination could have a material adverse effect on our financial results, operations and future business plans.

Many of our hospitalist and other operating agreements are relatively short term or may be terminated without cause by providing advance notice. If these agreements are terminated at the end of their term, are not renewed or are terminated before the end of their term, we would lose the revenue generated by those agreements. Any such terminations could have a material adverse effect on our results of operations and future business plans.

Many of our agreements with hospitals and medical groups include prohibitions on our hiring physicians or patients or competing with the hospital or medical group, which limits our ability to implement our business plan in certain areas.

Because many of our hospitalist and other operating agreements include prohibitions on our hiring physicians or patients or competing with the hospital or medical group, our ability to hire physicians, attract patients or conduct business in certain areas may be limited in some cases.

If there is a change in accounting principles or the interpretation thereof by the Financial Accounting Standards Board ("FASB"), affecting consolidation of entities, it could impact our consolidation of total revenues derived from such affiliated physician groups.

Our financial statements are consolidated and include the accounts of our majority-owned subsidiaries and various non-owned affiliated physician groups that are VIEs, which consolidation is effectuated in accordance with applicable accounting rules. In the event of a change in accounting principles promulgated by FASB or in FASB's interpretation of its principles, or if there were an adverse determination by a regulatory agency or a court or if there were a change in state or federal law relating to the ability to maintain present agreements or arrangements with such physician groups, we may not be permitted to continue to consolidate the total revenues of such organizations.

Accounting rules require that under some circumstances the VIE consolidation model be applied when a reporting enterprise holds a variable interest (e.g., equity interests, debt obligations, certain management and service contracts) in a legal entity. Under this model, an enterprise must assess the entity in which it holds a variable interest to determine whether it meets the criteria to be consolidated as a VIE. If the entity is a VIE, the consolidation framework next identifies the party, if one exists, that possesses a controlling financial interest in a VIE, and requires that party to consolidate as the primary beneficiary. An enterprise's determination of whether it has a controlling financial interest in a VIE requires that a qualitative determination be made, and is not solely based on voting rights.

If an enterprise determines the entity in which it holds a variable interest is not subject to the VIE guidance in ASC 810, the enterprise should apply the traditional voting control model (also outlined in ASC 810) which focuses on voting rights. In our case, the VIE consolidation model applies to our controlled, but not owned, physician affiliated entities. Our determination regarding the consolidation of our affiliates could be challenged, which could have a material adverse effect on our operations.

Risks Related to Healthcare Regulation

The healthcare industry is complex and intensely regulated at the federal, state, and local levels and government authorities may determine that we have failed to comply with applicable laws or regulations.

As a company involved in providing healthcare services, we are subject to numerous federal, state and local laws and regulations. There are significant costs involved in complying with these laws and regulations. Moreover, if we are found to have violated any applicable laws or regulations, we could be subject to civil and/or criminal damages, fines, sanctions or penalties, including exclusion from participation in governmental healthcare programs, such as Medicare and Medicaid. We may also be required to change our method of operations. These consequences could be the result of current conduct or even conduct that occurred a number of years ago. We also could incur significant costs merely if we become the subject of an investigation or legal proceeding alleging a violation of these laws and regulations. We cannot predict whether a federal, state or local government will determine that we are not operating in accordance with law, or whether the laws will change in the future and impact our business. Any of these actions could have a material adverse effect on our business, financial condition and results of operations.

The following is a non-exhaustive list of some of the more significant healthcare laws and regulations that affect us:

- federal laws, including the federal False Claims Act, that provide for penalties against entities and individuals which knowingly or recklessly make claims to Medicare, Medicaid, and other governmental healthcare programs, as well as third-party payors, that contain or are based upon false or fraudulent information;
- a provision of the Social Security Act, commonly referred to as the “Anti-Kickback Statute,” that prohibits the knowing and willful offering, payment, solicitation or receipt of any bribe, kickback, rebate or other remuneration, in cash or in kind, in return for the referral or recommendation of patients for items and services covered, in or in part, by federal healthcare programs such as Medicare and Medicaid;
- a provision of the Social Security Act, commonly referred to as the Stark Law or physician self-referral law, that (subject to limited exceptions) prohibits physicians from referring Medicare patients to an entity for the provision of specific “designated health services” if the physician or a member of such physician’s immediate family has a direct or indirect financial relationship with the entity, and prohibits the entity from billing for services arising out of such prohibited referrals;
- a provision of the Social Security Act that provides for criminal penalties on healthcare providers who fail to disclose known overpayments;
- a provision of the Social Security Act that provides for civil monetary penalties on healthcare providers who fail to repay known overpayments within 60 days of identification or the date any corresponding cost report was due, if applicable, and also allows improper retention of known overpayments to serve as a basis for False Claims Act violations;
- state law provisions pertaining to anti-kickback, self-referral and false claims issues, which typically are not limited to relationships involving governmental payors;
- provisions of, and regulations relating to, the Health Insurance Portability and Accountability Act (“HIPAA”) that provide penalties for knowingly and willfully executing a scheme or artifice to defraud a health-care benefit program or falsifying, concealing or covering up a material fact or making any material false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services;
- provisions of HIPAA and HITECH limiting how covered entities, business associates and business associate sub-contractors may use and disclose PHI and the security measures that must be taken in connection with protecting that information and related systems, as well as similar or more stringent state laws;
- federal and state laws that provide penalties for providers for billing and receiving payment from a governmental healthcare program for services unless the services are medically necessary and reasonable, adequately and accurately documented, and billed using codes that accurately reflect the type and level of services rendered;
- federal laws that provide for administrative sanctions, including civil monetary penalties for, among other violations, inappropriate billing of services to federal healthcare programs, payments by hospitals to physicians for reducing or limiting services to Medicare or Medicaid patients, or employing or contracting with individuals or entities who/which are excluded from participation in federal healthcare programs;
- federal and state laws and policies that require healthcare providers to enroll in the Medicare and Medicaid programs before submitting any claims for services, to promptly report certain changes in their operations to the agencies that administer these programs, and to re-enroll in these programs when changes in direct or indirect ownership occur or in response to revalidation requests from Medicare and Medicaid;

- state laws that prohibit general business entities from practicing medicine, controlling physicians' medical decisions or engaging in certain practices, such as splitting fees with physicians;
- laws in some states that prohibit non-domiciled entities from owning and operating medical practices in their states;
- provisions of the Social Security Act (emanating from the DRA) that require entities that make or receive annual Medicaid payments of \$5 million or more from a single Medicaid program to provide their employees, contractors and agents with written policies and employee handbook materials on federal and state false claims acts and related statutes, that establish a new Medicaid Integrity Program designed to enhance federal and state efforts to detect Medicaid fraud, waste, and abuse, and that increase financial incentives for both states and individuals to bring fraud and abuse claims against healthcare companies; and
- federal and state laws and regulations restricting the techniques that may be used to collect past due accounts from consumers, such as our patients, for services provided to the consumer.

We cannot predict the effect that the ACA and its implementation may have on our business, results of operations or financial condition.

The continued implementation of provisions of the ACA, the adoption of new regulations thereunder and ongoing legal challenges create an uncertain environment for how the ACA may affect our business, results of operations and financial condition.

However, some of the reductions in Medicare spending, such as negative adjustments to the Medicare hospital inpatient and outpatient prospective payment system market basket updates and the incorporation of productivity adjustments to the Medicare program's annual inflation updates, became effective starting in 2010. Although the expansion of health insurance coverage should increase revenues from providing care to previously uninsured individuals, many of these provisions of the ACA will continue to become effective beyond 2015, and the impact of such expansion may be gradual and may not offset scheduled decreases in reimbursement.

On June 28, 2012, the U.S. Supreme Court upheld the constitutionality of the ACA, including the "individual mandate" provisions of the ACA that generally require all individuals to obtain healthcare insurance or pay a penalty. However, the U.S. Supreme Court also held that the provision of the ACA that authorized the Secretary of HHS to penalize states that choose not to participate in the expansion of the Medicaid program by removing all of their existing Medicaid funding was unconstitutional. In response to the ruling, a number of U.S. governors have stated that they oppose their state's participation in the expanded Medicaid program, which could result in the ACA not providing coverage to some low-income persons in those states. In addition, several bills have been and may continue to be introduced in Congress to repeal or amend all or significant provisions of the ACA.

The ACA changes how healthcare services are covered, delivered, and reimbursed. The net effect of the ACA on our business is subject to numerous variables, including the law's complexity, lack of complete implementing regulations and interpretive guidance, gradual and potentially delayed implementation or possible amendment, as well as the uncertainty as to the extent to which states will choose to participate in the expanded.

The Health Care Reform Acts mandates changes specific to home health and hospice benefits under Medicare. For home health, the Health Care Reform Acts mandates creation of a value-based purchasing program, development of quality measures, a decrease in home health reimbursement beginning with federal year 2014 that will be phased-in over a four-year period, and a reduction in the outlier cap. In addition, the Health Care Reform Acts requires the Secretary of Health and Human Services to test different models for delivery of care, some of which would involve home health services. It also requires the Secretary to establish a national pilot program for integrated care for patients with specific conditions, bundling payment for acute hospital care, physician services, outpatient hospital services (including emergency department services), and post-acute care services, which would include home health. The Health Care Reform Acts further directs the Secretary to rebase payments for home health, which will result in a decrease in home health reimbursement beginning in 2014 that will be phased-in over a four-year period. The Secretary is also required to conduct a study to evaluate cost and quality of care among efficient home health agencies regarding access to care and treating Medicare beneficiaries with varying severity levels of illness and provide a report to Congress. Beginning October 1, 2012, the annual market basket rate increase for hospice providers was reduced by a formula that caused payment rates to be lower than in the prior year.

Providers in the healthcare industry are sometimes the subject of federal and state investigations, as well as payor audits.

Due to our participation in government and private healthcare programs, we are sometimes involved in inquiries, reviews, audits and investigations by governmental agencies and private payors of our business practices, including assessments of our compliance with coding, billing and documentation requirements. Federal and state government agencies have active civil and criminal enforcement efforts that include investigations of healthcare companies, and their executives and managers. Under some circumstances, these investigations can also be initiated by private individuals under whistleblower provisions which may be incentivized by the possibility for private recoveries. The Deficit Reduction Act revised federal law to further encourage these federal, state and individually-initiated investigations against healthcare companies.

Responding to these audit and enforcement activities can be costly and disruptive to our business operations, even when the allegations are without merit. If we are subject to an audit or investigation and a finding is made that we were incorrectly reimbursed, we may be required to repay these agencies or private payors, or we may be subjected to pre-payment reviews, which can be time-consuming and result in non-payment or delayed payment for the services we provide. We also may be subject to other financial sanctions or be required to modify our operations.

Controls designed to reduce inpatient services may reduce our revenues.

Controls imposed by Medicare, Medicaid and commercial third-party payors designed to reduce admissions and lengths of stay, commonly referred to as "utilization review", have affected and are expected to continue to affect our operations. Federal law contains numerous provisions designed to ensure that services rendered by hospitals to Medicare and Medicaid patients meet professionally recognized standards and are medically necessary and that claims for reimbursement are properly filed. These provisions include a requirement that a sampling of admissions of Medicare and Medicaid patients must be reviewed by quality improvement organizations, which review the appropriateness of Medicare and Medicaid patient admissions and discharges, the quality of care provided, and the appropriateness of cases of extraordinary length of stay or cost on a post-discharge basis. Quality improvement organizations may deny payment for services or assess fines and also have the authority to recommend to the U.S. Department of Health and Human Services that a provider which is in substantial noncompliance with the standards of the quality improvement organization be excluded from participation in the Medicare program. The ACA potentially expands the use of prepayment review by Medicare contractors by eliminating statutory restrictions on their use, and, as a result, efforts to impose more stringent cost controls are expected to continue. Utilization review is also a requirement of most non-governmental managed care organizations and other third-party payors. Inpatient utilization, average lengths of stay and occupancy rates continue to be negatively affected by payor-required preadmission authorization and utilization review and by third party payor pressure to maximize outpatient and alternative healthcare delivery services for less acutely ill patients. Although we are unable to predict the effect these controls and changes will have on our operations, significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material, adverse effect on our business, financial position and results of operations.

Laws regulating the corporate practice of medicine could restrict the manner in which we are permitted to conduct our business and the failure to comply with such laws could subject us to penalties or require a corporate restructuring.

Some states have laws that prohibit business entities from practicing medicine, employing physicians to practice medicine, exercising control over medical decisions by physicians (also known collectively as the corporate practice of medicine) or engaging in some arrangements, such as fee-splitting, with physicians. In some states these prohibitions are expressly stated in a statute or regulation, while in other states the prohibition is a matter of judicial or regulatory interpretation. California is one of the states that prohibit the corporate practice of medicine.

In California, we operate by maintaining contracts with our affiliated physician groups which are each owned and operated by physicians and which employ or contract with additional physicians to provide physician services. Under these arrangements, we provide management services, receive a management fee for providing non-medical management services, do not represent that we offer medical services, and do not exercise influence or control over the practice of medicine by the physicians or the affiliated physician groups.

In addition to the above management arrangements, we have some contractual rights relating to the transfer of equity interests in some of our affiliated physician groups to a nominee shareholder designated by us, through physician shareholder agreements, with Dr. Hosseinion, the controlling equity holder of such affiliated physician groups. However, such equity interests cannot be transferred to or held by us or by any non-professional organization. Accordingly, we do not directly own any equity interests in any physician groups in California. In the event that any of these affiliated physician groups fails to comply with the management arrangement or any management arrangement is terminated and/or we are unable to enforce its contractual rights over the orderly transfer of equity interests in its affiliated physician groups, or California law is interpreted to invalidate these arrangements, there could be a material adverse effect on our business, results of operations and financial condition.

Our palliative care business is subject to rules, prohibitions, regulations and reimbursement requirements that differ from those that govern our primary home health and hospice operations.

We continue to develop our palliative care services, which is a type of care focused upon relieving pain and suffering in patients who do not qualify for, or who have not yet elected, hospice services. The continued development of this business line exposes us to additional risks, in part because the business line requires us to comply with additional Federal and state laws and regulations that differ from those that govern our home health and hospice business. This line of business requires compliance with different Federal and state requirements governing licensure, enrollment, documentation, prescribing, coding, billing and collection of coinsurance and deductibles, among other requirements. Additionally, some states have prohibitions on the corporate practice of medicine and fee-splitting, which generally prohibit business entities from owning or controlling medical practices or may limit the ability of clinical professionals to share professional service income with non-professional or business interests. Reimbursement for palliative care and house calls services is generally conditioned on our clinical professionals providing the correct procedure and diagnosis codes and properly documenting both the service itself and the medical necessity for the service. Incorrect or incomplete documentation and billing information, or the incorrect selection of codes for the level and type of service provided, could result in non-payment for services rendered or lead to allegations of billing fraud. Further, compliance with applicable regulations may cause us to incur expenses that we have not anticipated, and if we are unable to comply with these additional legal requirements, we may incur liability, which could have a material adverse effect on our business and consolidated financial condition, results of operations and cash flows.

Our palliative care business line is subject to new licensing requirements, which will require us to expend resources to comply with the changing requirements.

In October 2013, California enacted the Home Care Services Consumer Protection Act. The act establishes a licensing program for home care organizations, and requires background checks, basic training and tuberculosis screening for the aides that are employed by home care organizations. Home care organizations and aides had until January 1, 2015 to comply with the new licensing and background check requirements. Because we operate in California, the requirements of the act are expected to impose additional costs on us.

We do not have a limited Knox-Keene License.

We do not hold a limited Knox-Keene license (a managed care plan license issued pursuant to the California Knox-Keene Health Care Service Plan Act of 1975). If the California Department of Managed Health Care were to determine that we have been inappropriately taking risk for institutional and professional services as a result of our various hospital and physician arrangements without having a limited Knox-Keene license, we may be required to obtain a limited Knox-Keene license to resolve such violations and we could be subject to civil and criminal liability, any of which could have a material adverse effect on our business, results of operations and financial condition.

Our revenue may be negatively impacted by the failure of our affiliated physicians to appropriately document services they provide.

We rely upon our affiliated physicians to appropriately and accurately complete necessary medical record documentation and assign appropriate reimbursement codes for their services. Reimbursement to us is conditioned upon, in part, our affiliated physicians providing the correct procedure and diagnosis codes and properly documenting the services themselves, including the level of service provided and the medical necessity for the services. If our affiliated physicians have provided incorrect or incomplete documentation or selected inaccurate reimbursement codes, this could result in nonpayment for services rendered or lead to allegations of billing fraud. This could subsequently lead to civil and criminal penalties, including exclusion from government healthcare programs, such as Medicare and Medicaid. In addition, third-party payors may disallow, in whole or in part, requests for reimbursement based on determinations that certain amounts are not covered, services provided were not medically necessary, or supporting documentation was not adequate. Retroactive adjustments may change amounts realized from third-party payors and result in recoupments or refund demands, affecting revenue already received.

Changes associated with reimbursement by third-party payors for the Company's services may adversely affect our operating results and financial condition.

The medical services industry is undergoing significant changes with government and other third-party payors that are taking measures to reduce reimbursement rates or, in some cases, denying reimbursement altogether. There is no assurance that government or other third-party payors will continue to pay for the services provided by our affiliated medical groups. Failure of government or other third party payors to cover adequately the medical services provided by us could have a material adverse effect on our business, results of operations and financial condition.

Compliance with federal and state privacy and information security laws is expensive, and we may be subject to government or private actions due to privacy and security breaches.

We must comply with numerous federal and state laws and regulations governing the collection, dissemination, access, use, security and confidentiality of patient health information ("PHI"), including HIPAA and HITECH. As part of our medical record keeping, third-party billing, and other services, we collect and maintain PHI in paper and electronic format. Therefore, new privacy or security laws, whether implemented pursuant to federal or state action, could have a significant effect on the manner in which we handle healthcare-related data and communicate with payors. In addition, compliance with these standards could impose significant costs on us or limit our ability to offer services, thereby negatively impacting the business opportunities available to us. Despite our efforts to prevent security and privacy breaches, they may still occur. If any non-compliance with existing or new laws and regulations related to PHI results in privacy or security breaches, we could be subject to monetary fines, civil suits, civil penalties or even criminal sanctions.

As a result of the expanded scope of HIPAA through HITECH, we may incur significant costs in order to minimize the amount of "unsecured PHI" we handle and retain or to implement improved administrative, technical or physical safeguards to protect PHI. We may incur significant costs in order to demonstrate and document whether there is a low probability that PHI has been compromised in order to overcome the presumption that an impermissible use or disclosure of PHI results in a reportable breach. We may incur significant costs to notify the relevant individuals, government entities and, in some cases, the media, in the event of a breach and to provide appropriate remediation and monitoring to mitigate the possible damage done by any such breach.

Providers must be properly enrolled in governmental healthcare programs, such as Medicare and Medicaid, before they can receive reimbursement for providing services, and there may be delays in the enrollment process.

Each time a new affiliated physician joins us, we must enroll the affiliated physician under our applicable group identification number for Medicare and Medicaid programs and for certain managed care and private insurance programs before we can receive reimbursement for services the physician renders to beneficiaries of those programs. The estimated time to receive approval for the enrollment is sometimes difficult to predict and, in recent years, the Medicare program carriers often have not issued these numbers to our affiliated physicians in a timely manner. These practices result in delayed reimbursement that may adversely affect our cash flow.

We may face malpractice and other lawsuits that may not be covered by insurance.

Malpractice lawsuits are common in the healthcare industry. The medical malpractice legal environment varies greatly by state. The status of tort reform, availability of non-economic damages or the presence or absence of other statutes, such as elder abuse or vulnerable adult statutes, influence the incidence and severity of malpractice litigation. We may also be subject to other types of lawsuits which may involve large claims and significant defense costs. Many states have joint and several liabilities for all healthcare providers who deliver care to a patient and are at least partially liable. As a result, if one healthcare provider is found liable for medical malpractice for the provision of care to a particular patient, all other healthcare providers who furnished care to that same patient, including possibly our affiliated physicians, may also share in the liability, which may be substantial.

We currently maintain malpractice liability insurance coverage to cover professional liability and other claims for certain hospitalists and clinic physicians. All of our physicians are required to carry first dollar coverage with limits of coverage equal to \$1,000,000 for all claims based on occurrence up to an aggregate of \$3,000,000 per year. We cannot be certain that our insurance coverage will be adequate to cover liabilities arising out of claims asserted against us, our affiliated professional organizations or our affiliated physicians, and we cannot provide assurance that any future liabilities will not have a material adverse impact on our results of operations, cash flows or financial position. Liabilities in excess of our insurance coverage, including coverage for professional liability and other claims, could have a material adverse effect on our business, financial condition, and results of operations. In addition, our professional liability insurance coverage generally must be renewed annually and may not continue to be available to us in future years at acceptable costs and on favorable terms.

We have established reserves for potential medical liabilities losses which are subject to inherent uncertainties and a deficiency in the established reserves may lead to a reduction in our net income.

We establish reserves for estimates of incurred but not reported claims ("IBNR") due to contracted physicians, hospitals, and other professional providers and risk-pool liabilities. IBNR estimates are developed using actuarial methods and are based on many variables, including the utilization of health care services, historical payment patterns, cost trends, product mix, seasonality, changes in membership, and other factors. Many of the medical contracts are complex in nature and may be subject to differing interpretations regarding amounts due for the provision of various services. Such differing interpretations may not come to light until a substantial period of time has passed following the contract implementation. The inherent difficulty in interpreting contracts and the estimated level of necessary reserves could result in significant fluctuations in our estimates from period to period. It is possible that actual losses and related expenses may differ, perhaps substantially, from the reserve estimates reflected in our financial statements. If subsequent claims exceed our estimated reserves, we may be required to increase reserves, which would lead to a reduction in our assets or net income.

Litigation expenses may be material.

In recent periods, we have incurred increased expenses for legal fees related to the defense of the lawsuits by certain competitors that are described under "Legal Proceedings". While we maintain the insurance coverage described above, such insurance may not cover these lawsuits or some other types of commercial disputes. The defense of litigation, including fees of legal counsel, expert witnesses and related costs, is expensive and difficult to forecast accurately. In general, such costs are unrecoverable even if we ultimately prevail in litigation and could represent a significant portion of our limited capital resources. To defend lawsuits, it is also necessary for us to divert officers and other employees from their normal business functions to gather evidence, give testimony and otherwise support litigation efforts. We expect to experience higher than normal litigation costs until the lawsuits by our competitor are decided.

If we lose any material litigation, including the litigation described under "Legal Proceedings", we could face material judgments or awards against us. An unfavorable resolution of one or more of the proceedings in which we are involved now or in the future could have a material adverse effect on our business, assets, cash flow and financial condition.

We may also in the future find it necessary to file lawsuits to recover damages or protect our interests. The cost of such litigation could also be significant and unrecoverable, which may also deter us from aggressively pursuing even legitimate claims.

We may be subject to litigation related to the agreements that our IPAs enter into with primary care physicians.

It is common in the medical services industry for primary care physicians to be affiliated with multiple IPAs. Our IPAs often enter into agreements with physicians who are also affiliated with our competitors. However, some of our competitors at times enter into agreements with physicians that require the physician to provide services exclusively to that competitor. Our IPAs often have no knowledge, and no way of knowing, whether a physician seeking to affiliate with us is subject to an exclusivity agreement unless the physician informs us of that agreement. Our IPAs rely on the physicians seeking to affiliate with us to determine whether they are able to enter into the proposed agreement. As described in "Legal Proceedings", competitors have initiated lawsuits against us based in part on interference with such exclusivity agreements, and may do so in the future. An adverse outcome in one or more of such lawsuits could adversely affect our business, assets, cash flow and financial condition.

Changes in the rates or methods of Medicare reimbursements may adversely affect our operations.

In order to participate in the Medicare program, we must comply with stringent and often complex enrollment and reimbursement requirements. These programs generally provide for reimbursement on a fee-schedule basis rather than on a charge-related basis, meaning that generally we cannot increase our revenue by increasing the amount we charge for our services. To the extent that our costs increase, we may not be able to recover our increased costs from these programs and cost containment measures and market changes in non-governmental insurance plans have generally restricted our ability to recover, or shift to non-governmental payors, these increased costs. In attempts to limit federal and state spending, there have been, and we expect that there will continue to be, a number of proposals to limit or reduce Medicare reimbursement for various services. In April of 2015, the Medicare Access and CHIP Reauthorization Act of 2015 ("MACRA") was signed into law, which made numerous changes to Medicare, Medicaid, and other healthcare related programs. These changes include new systems for establishing the annual updates to payment rates for physicians' services in Medicare. Our business may be significantly and adversely affected by MACRA and any changes in reimbursement policies and other legislative initiatives aimed at or having the effect of reducing healthcare costs associated with Medicare, TRICARE (which provides civilian health benefits for U.S Armed Forces military personnel, military retirees, and their dependents) and other government healthcare programs.

Our business also could be adversely affected by reductions in, or limitations of, reimbursement amounts or rates under these government programs, reductions in funding of these programs or elimination of coverage for certain individuals or treatments under these programs.

Overall payments made by Medicare for hospice services are subject to cap amounts. Total Medicare payments to us for hospice services are compared to the cap amount for the hospice cap period, which runs from November 1 of one year through October 31 of the next year. CMS generally announces the cap amount in the month of July or August in the cap period and not at the beginning of the cap period. Accordingly, we must estimate the cap amount for the cap period before CMS announces the cap amount. If our estimate exceeds the later announced cap amount, we may suffer losses. CMS can also make retroactive adjustments to cap amounts announced for prior cap periods, in which case payments to us in excess of the cap amount must be returned to Medicare. A second hospice cap amount limits the number of days of inpatient care to not more than 20 percent of total patient care days within the cap period.

In addition, the Health Care Reform Acts includes several provisions that could adversely impact hospice providers, including a provision to reduce the annual market basket update for hospice providers by a productivity adjustment. We cannot predict whether any healthcare reform initiatives will be implemented, or whether the Health Care Reform Acts or other changes in the administration of governmental healthcare programs or interpretations of governmental policies or other changes affecting the healthcare system will adversely affect our revenues. Further, due to budgetary concerns, several states have considered or are considering reducing or eliminating the Medicaid hospice benefit. Reductions or changes in Medicare or Medicaid funding could significantly reduce our net patient service revenue and our profitability.

If we inadvertently employ or contract with an excluded person, we may face government sanctions.

Individuals and entities can be excluded from participating in the Medicare and Medicaid programs for violating certain laws and regulations, or for other reasons such as the loss of a license in any state, even if the individual retains other licensure. This means that they (and all others) are prohibited from receiving payment for their services rendered to Medicare or Medicaid beneficiaries, and if the excluded individual is a physician, all services ordered (not just provided) by such physician are also non-covered and non-payable. Entities which employ or contract with excluded individuals are prohibited from billing the Medicare or Medicaid programs for the excluded individual's services, and are subject to civil monetary penalties if they do. The U.S. Department of Health and Human Services Office of the Inspector General ("OIG") maintains a list of excluded individuals and entities. Although we have instituted policies and procedures through our compliance program to minimize the risks, there can be no assurance that we will not inadvertently hire or contract with an excluded person, or that any of our current employees or contracts will not become excluded in the future without our knowledge. If this occurs, we may be subject to substantial repayments and civil penalties, and the hospitals at which we furnish services also may be subject to repayments and sanctions, for which they may seek recovery from us.

We may be impacted by eligibility changes to government and private insurance programs.

Due to potential decreased availability of healthcare through private employers, the number of patients who are uninsured or participate in governmental programs may increase. A shift in payor mix from managed care and other private payors to government payors or the uninsured may result in a reduction in our rates of reimbursement or an increase in our uncollectible receivables or uncompensated care, with a corresponding decrease in our net revenue. Changes in the eligibility requirements for governmental programs also could increase the number of patients who participate in such programs or the number of uninsured patients. Even for those patients who remain with private insurance, changes in those programs could increase patient responsibility amounts, resulting in a greater risk for us of uncollectible receivables. Further, our hospice related business could become subject to "quality star ratings" and, if sufficient quality is not achieved, reimbursement could be negatively impacted. These factors and events could have a material adverse effect on our business, results of operations and financial condition.

Federal and state laws may limit our effectiveness at collecting monies owed to us from patients.

We utilize third parties, whom we do not and cannot control, to collect from patients any co-payments and other payments for services that our physicians provide to patients. The federal Fair Debt Collection Practices Act (the "FDCPA") restricts the methods that third-party collection companies may use to contact and seek payment from consumer debtors regarding past due accounts. State laws vary with respect to debt collection practices, although most state requirements are similar to those under the FDCPA. If our collection practices or those of our collection agencies are inconsistent with these standards, we may be subject to actual damages and penalties. These factors and events could have a material adverse effect on our business, results of operations and financial condition.

If we are unable to effectively adapt to changes in the healthcare industry, including changes to laws and regulations regarding or affecting healthcare reform or the healthcare industry, our business may be harmed.

Due to the importance of the healthcare industry in the lives of all Americans, federal, state, and local legislative bodies frequently pass legislation and promulgate regulations relating to healthcare reform or that affect the healthcare industry. As has been the trend in recent years, it is reasonable to assume that there will continue to be increased federal oversight and regulation of the healthcare industry in the future. We cannot assure you as to the ultimate content, timing or effect of any new healthcare legislation or regulations, nor is it possible at this time to estimate the impact of potential new legislation or regulations on our business. It is possible that future legislation enacted by Congress or state legislatures, or regulations promulgated by regulatory authorities at the Federal or state level, could adversely affect our business or could change the operating environment of the hospitals and other facilities where our physicians provide services. It is possible that the changes to the Medicare or other governmental healthcare program reimbursements may serve as precedent to possible changes in other payors' reimbursement policies in a manner averse to us. Similarly, changes in private payor reimbursements could lead to adverse changes in Medicare and other governmental healthcare programs which could have a material adverse effect on our business, financial condition and results of operations.

We may incur significant costs to adopt certain provisions under HITECH.

HITECH was enacted into law on February 17, 2009 as part of the American Recovery and Reinvestment Act of 2009. Among the many provisions of HITECH are those relating to the implementation and use of certified electronic health records ("EHR"). Our patient medical records are maintained and under the custodianship of the healthcare facilities in which we operate. However, to adopt the use of EHRs utilized by these healthcare facilities, determine to adopt certain EHRs, or comply with any related provisions of HITECH, we may incur significant costs which could have a material adverse effect on our business operations and financial position.

We may be exposed to cybersecurity risks.

While we have not experienced any cybersecurity incidents, the nature of our business and the requirements of healthcare privacy laws such as HIPAA and HITECH, impose significant obligations on us to maintain the privacy and protection of patient medical information. Any cybersecurity incident could expose us to violations of HIPAA and/or HITECH that, even unintended, could cause significant financial exposure to us in the form of fines and costs of remediation of any such incident.

Risks Related to the Ownership of Our Securities

The market price of our common stock may be volatile, and the value of your investment could decline significantly.

The trading price for our common stock has been, and we expect it to continue to be, volatile. The price at which our common stock trades depends upon a number of factors, including our historical and anticipated operating results, our financial situation, our ability or inability to raise the additional capital we may need and the terms on which we raise it and trading volume. Other factors include:

- variations in quarterly operating results;
- changes in earnings estimates by analysts;
- developments in the hospitalists markets;
- announcements of acquisitions dispositions and other corporate level transactions;
- announcements of financings and other capital raising transactions;
- sales of stock by our larger stockholders;

General inefficiencies of trading on junior markets or quotations systems, including the need to comply on a state-by-state basis with state "blue sky" securities laws for the resale of our common stock on OTC Pink; and

- general stock market and economic conditions.

Some of these factors are beyond our control. Broad market fluctuations may lower the market price of our common stock and affect the volume of trading in our stock, regardless of our financial condition, results of operations, business or prospects. We have been conditionally approved to uplist on the NASDAQ Capital Market ("NASDAQ") and, if we are successful in uplisting, we may be covered by more analysts. Our failure to meet the expectations of any analysts who may follow our stock could have a material adverse effect on our stock price and indirectly, the terms on which we raise capital. There is no assurance that the market price of our shares of common stock will not fall in the future.

Investors may experience dilution of their ownership interests because of the future issuance of additional shares of our common stock.

We have issued some of our directors, officers, other employees, consultants, lenders and other third parties securities, including options, warrants, convertible preferred stock and convertible debt, that such parties have and may exercise or convert into shares of our common stock. Such conversions or exercises would result in the issuance of additional shares of our common stock, resulting in dilution of the ownership interests of our present stockholders.

For example, on October 14, 2015, Network Medical Management, Inc. ("NMM") purchased 1,111,111 units of our securities, each unit consisting of one share of Series A convertible preferred stock ("Series A Preferred Stock") and a stock purchase warrant (a "Series A Warrant") to purchase one share of our common stock at \$9.00 per share, none of which securities have yet been converted or exercised for our common stock but which could result in the issuance by us of up to 2,222,222 shares of our common stock to NMM if they converted all of the Series A Preferred Stock and exercised all of the Series A Warrants that they currently hold. Additionally, on October 14, 2015, NNA converted \$1,402,500 of convertible notes and accrued interest, as well as exercised warrants, into an aggregate 600,000 shares of our common stock. On March 30, 2016, NMM purchased 555,555 units of our securities, each unit consisting of one share of Series B convertible preferred stock ("Series B Preferred Stock") and a stock purchase warrant (a "Series B Warrant") to purchase one share of our common stock at \$10.00 per share, none of which securities have yet been converted or exercised for our common stock but which could result in the issuance by us of up to 1,111,110 shares of our common stock to NMM if they converted all of the Series B Preferred Stock and exercised all of the Series B Warrants that they currently hold. We also issued an aggregate 138,463 shares of our common stock upon the conversion by certain holders of our 9% convertible notes prior to their maturity on February 15, 2016.

Moreover, we may in the future issue additional authorized but previously unissued equity securities, resulting in further dilution of the ownership interests of our present stockholders. We may also issue additional shares of our common stock or other securities that are convertible into or exercisable for common stock in connection with hiring or retaining employees, future acquisitions, future sales of our securities for capital raising purposes or for other business purposes. For example, we will have to issue additional shares of common stock to NNA if we fail to comply with NNA's registration rights.

The future issuance of any such additional shares of common stock may create downward pressure on the trading price of our common stock. There can be no assurance that we will not be required to issue additional shares, warrants or other convertible securities in the future in conjunction with any capital raising efforts, including at a price (or exercise prices) below the price at which shares of our common stock are currently traded at such time.

There has been a limited trading market for our common stock to date.

There has been limited trading volume in our common stock, which is quoted on OTC Pink under the trading symbol "AMEH". It is anticipated that there will continue to be a limited trading market for our common stock on OTC Pink and it is often difficult to obtain accurate price quotes for our stock on OTC Pink. A lack of an active market may impair our stockholders' ability to sell shares at the time they wish to sell shares or at a price that our stockholders consider reasonable. The lack of an active market may also reduce the fair market value of our common stock. An inactive market may also impair our ability to raise capital by selling shares of capital stock and may impair our ability to acquire other companies by using common stock as consideration.

Delaware law and our Certificate of Incorporation could discourage a change in control, or an acquisition of us by a third party, even if the acquisition would be favorable to our stockholders.

The Delaware General Corporation Law contains provisions that may have the effect of making more difficult or delaying attempts by others to obtain control of us, even when these attempts may be in the best interests of our stockholders. Delaware law imposes conditions on certain business combination transactions with "interested stockholders". These provisions and others that could be adopted in the future could deter unsolicited takeovers or delay or prevent changes in our control or management, including transactions in which stockholders might otherwise receive a premium for their shares over then current market prices. These provisions may also limit the ability of stockholders to approve transactions that they deem to be in their best interests.

Our Certificate of Incorporation empowers the Board of Directors to establish and issue one or more classes of preferred stock, and to determine the rights, preferences and privileges of the preferred stock. These provisions give the Board of Directors the ability to deter, discourage or make more difficult a change in control of our company, even if such a change in control could be deemed in the interest of our stockholders or if such a change in control would provide our stockholders with a substantial premium for their shares over the then-prevailing market price for the common stock.

We must comply with the reporting requirements of the Exchange Act to be listed on NASDAQ.

Companies whose stock is listed on NASDAQ, must be reporting issuers under Section 12 of the Exchange Act and must be current in their SEC reports. If we fail to remain current in our reporting requirements, we could be denied listing on NASDAQ or, if we are listed on NASDAQ, delisted from NASDAQ. If that were to occur, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

Although we have been conditionally approved, we have not yet fully satisfied all the requirements for uplisting to the NASDAQ Capital Market. Even if we are able to uplist to the NASDAQ Capital Market, we may not be able to comply with continued listing standards.

In 2015, we were conditionally approved, subject to the satisfaction of certain conditions and meeting all of the NASDAQ listing standards on the date we uplist, to list our common stock on NASDAQ. We currently do not fully meet NASDAQ's minimum initial listing standards, which generally mandate that we meet certain requirements relating to stockholders' equity, market capitalization, aggregate market value of publicly held shares and distribution requirements. We cannot assure you that we will be able to meet those initial listing requirements at any point in the future. Even if we meet those listing standards, we may elect not to uplist. If NASDAQ does not list our common stock for trading on its exchange, either because we elect not to uplist or because we do not meet the listing standards, we could continue to face the following consequences:

- a limited availability of market quotations for our securities;
- reduced liquidity with respect to our securities;
- a determination that our shares of common stock are "penny stock," which will require brokers trading in our shares of common stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for our shares of common stock;
- a limited amount of news and analyst coverage for our Company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to as "covered securities." If we list on NASDAQ, our common stock will be a covered security. However, because our common stock is not currently listed on the NASDAQ, our common stock is subject to state "blue sky" regulation in each state in which we offer our common stock, including resales of our common stock on OTC Pink.

If we do uplist to the NASDAQ Capital Market, our failure to meet its continued listing requirements could result in a delisting of our common stock.

Even if our application to list on NASDAQ is approved, we meet the initial listing standards and we elect to uplist, should we thereafter fail to satisfy the continued listing requirements of NASDAQ, such as the corporate governance requirements or the minimum closing bid price requirement, NASDAQ may take steps to delist our common stock. Such a delisting would likely have a negative effect on the price of our common stock and could impair the ability of our stockholders to sell or purchase our common stock when they wish to do so. In the event of a delisting, we anticipate that we would take actions to restore our compliance with NASDAQ's listing requirements, but we can provide no assurance that any such action taken by us would allow our common stock to remain listed on NASDAQ.

Our common stock may be subject to the “penny stock” rules of the SEC, and trading in our securities is very limited, which makes transactions in our common stock cumbersome and may reduce the value of an investment in our securities.

The SEC has adopted Rule 3a51-1 under the Exchange Act, which establishes the definition of a “penny stock”, for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, Rule 15g-9 under the Exchange Act requires:

- a broker or dealer to approve a person's account for transactions in penny stocks; and
- a broker or dealer receives a written agreement for the transaction from the investor, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- obtain financial information and investment experience objectives of the person; and
- make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, among other things:

- sets forth the basis on which the broker or dealer made the suitability determination; and
- that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Generally, brokers may be less willing to execute transactions in securities subject to the “penny stock” rules. This may make it more difficult for investors to purchase or sell our common stock and cause a decline in the market value of our stock or underscore our stock's volatility in the market.

We engaged in a reverse stock split, which may decrease the liquidity of the shares of our common stock.

We effected a one-for-ten reverse stock split of our outstanding common stock in April 2015. The liquidity of the shares of our common stock may be affected adversely by the reverse stock split given the reduced number of shares that are outstanding following the reverse stock split. In addition, the reverse stock split may increase the number of stockholders who own odd lots (less than 100 shares) of our common stock, creating the potential for such stockholders to experience an increase in the cost of selling their shares and greater difficulty effecting such sales.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located at 700 North Brand Boulevard, Suite 1400, Glendale, California 91203. Under the original lease of the premises, we occupied space in Suite 220. On October 14, 2014, our lease was amended by a Second Amendment (the "Second Lease Amendment"), pursuant to which we relocated our corporate headquarters to a larger suite in the same office building in October 2015. The Second Lease Amendment relocates the leased premises from Suite No. 220 to Suite Nos. 1400, 1425 and 1450, which collectively include 16,484 rentable square feet (the "New Premises"). The New Premises were improved with an allowance of \$659,360, provided by the landlord, for construction and installation of equipment for the New Premises. The Second Lease Amendment also extends the term of the lease to for approximately six years after we occupy the New Premises and increases our security deposit. The Second Lease Amendment sets the New Premises base rent at \$37,913 per month for the first year and schedules annual increases in base rent each year until the final rental year, which is capped at \$43,957 per month. However, the base rent will be abated by up to \$228,049 subject to other terms of the lease.

AMM leases the SCHK premises located in Los Angeles, California, consisting of 8,766 rentable square feet, for a term of ten years. The base rent for the SCHK lease is \$32,872 per month.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of our business, we become involved in pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice related to medical services that are provided by our affiliated hospitalists. We may also become subject to other lawsuits which could involve significant claims and/or significant defense costs. We have become involved in the following two material legal matters:

On May 16, 2014, Lakeside Medical Group, Inc. ("Lakeside") and Regal Medical Group, Inc. ("Regal"), two IPAs that compete with us in the greater Los Angeles area, filed an action against two of our affiliates, MMG and AMEH, and us, in Los Angeles County Superior Court. The complaint alleged that our two affiliates and we made misrepresentations and engaged in other acts in order to improperly solicit physicians and patient-enrollees from the plaintiffs. The complaint sought compensatory and punitive damages. On June 30, 2014, we filed a motion requesting the court to stay the court proceeding and order the parties to arbitrate this dispute subject to existing arbitration agreements. On August 11, 2014, the plaintiffs filed a request for dismissal without prejudice of the action. On August 12, 2014, the plaintiffs served our affiliates and us with demands for arbitration before Judicial Arbitration Mediation Services ("JAMS") in Los Angeles.

On August 28, 2014, Lakeside and Regal filed a similar lawsuit against Warren Hosseinion, our Chief Executive Officer. Dr. Hosseinion is defending the action and is currently being indemnified by us subject to the terms of an indemnification agreement and the provisions of our certificate of incorporation. We have an existing Directors and Officers insurance policy. On September 9, 2014, Dr. Hosseinion filed a motion requesting the court to stay the court proceeding and order the parties to arbitrate this dispute as part of the pending arbitration proceedings before JAMS, as discussed above. On October 29, 2014, the plaintiffs filed a request for dismissal without prejudice of the action. On November 13, 2014, the plaintiffs served Dr. Hosseinion with demands for arbitration before JAMS in Los Angeles, and on November 19, 2014, we agreed to consolidate the two proceedings against Dr. Hosseinion with the two existing proceedings against our two affiliates and us.

In June 2015, we reached an agreement with the plaintiffs to mediate the pending arbitration proceedings and to stay those proceedings until mediation is complete. The proceedings remain stayed as the parties seek to reach a final resolution of all claims. In May 2016 the plaintiffs have informed JAMS that they hope to have these proceedings resolved soon. If we are unable to reach a resolution, we will continue to prepare a defense to the allegations and vigorously defend the proceedings. It remains too early to state whether, if the parties are unable to reach a resolution, the likelihood of an unfavorable outcome in the proceedings is probable or remote, or to estimate the potential loss if the outcome should be unfavorable to us and whether any such loss would be material to our financial condition.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our common stock is quoted on OTC Pink under the symbol, "AMEH".

The following table sets forth, during the fiscal quarters presented, the high and low bid prices of our common stock as reported by OTC Pink. On May 16, 2014, the Board of Directors of our Company approved a change to the Company's fiscal year end from January 31 to March 31. For continuity of reporting our stock price, we reflected fiscal quarters in the following table based on our current March 31 fiscal year-end and adjusted our stock price to reflect the effects of our reverse stock split. The quotations below reflect inter-dealer prices, without retail markup, markdown or commissions and may not necessarily represent actual transactions.

	High	Low
Fiscal Year ended March 31, 2016		
First Quarter	\$ 9.75	\$ 3.75
Second Quarter	10.00	6.00
Third Quarter	7.25	4.75
Fourth Quarter	6.00	4.00
Fiscal Year ended March 31, 2015	High	Low
First Quarter	\$ 7.00	\$ 4.40
Second Quarter	6.50	2.50
Third Quarter	5.30	3.00
Fourth Quarter	5.49	3.60

On June 27, 2016, the closing price of our common stock as quoted on OTC Pink was \$5.00. All amounts in the table above reflect a one-for-ten (1:10) reverse stock split of our outstanding common stock that we effected on April 24, 2015.

Reverse Stock Split

On April 24, 2015, we filed an amendment to our certificate of incorporation to effect a 1-for-10 reverse stock split of its common stock. The number of authorized, but unissued, shares was not affected. No fractional shares were issued following the reverse stock split and we paid cash in lieu of any fractional shares resulting from the reverse stock split.

Stockholders

As of June 27, 2016, as reported by the Company's stock transfer agent, there were approximately 342 holders of record of our common stock. We believe that the number of beneficial owners of our common stock substantially exceeds this number.

Dividends

To date we have not paid any cash dividends on our common stock and we do not contemplate the payment of cash dividends in the foreseeable future. Our future dividend policy will depend on our earnings, capital requirements, financial condition, and other factors considered relevant to our ability to pay dividends.

Recent Sales of Unregistered Securities

On October 14, 2015, we sold 1,111,111 units (the "Series A Units"), each Series A Unit consisting of one share of our Series A Preferred Stock (the "Series A Preferred Stock") and a stock purchase warrant (the "Series A Warrant") to purchase one share of our Common Stock at an exercise price of \$9.00 per share, for which NMM paid us \$10,000,000. We used the proceeds primarily to repay certain outstanding indebtedness owed by us to NNA and the balance for working capital. For accounting purposes this preferred stock was classified as temporary or mezzanine equity.

On November 17, 2015, we agreed to issue a total of 600,000 shares of our Common Stock to NNA pursuant to the Second Amendment and Conversion Agreement among NNA, Warren Hosseinion, M.D., Adrian Vazquez, M.D. and us (the "Conversion Agreement"). Pursuant to the Conversion Agreement, we agreed to issue to NNA (i) 275,000 shares of our Common Stock and to pay accrued and unpaid interest of \$47,112, in full satisfaction of NNA's conversion and other rights under the 8% Convertible Note dated March 28, 2014, issued by us to NNA, in the principal amount of \$2,000,000; and (ii) 325,000 shares of our Common Stock in exchange for all stock purchase warrants held by NNA (the "NNA Warrants"), under which NNA had the right to purchase 300,000 shares of our Common Stock at an exercise price of \$10.00 per share and 200,000 shares at an exercise price of \$20.00 per share, in each case subject to anti-dilution adjustments.

On January 13, 2016, we issued 275,000 shares of our Common Stock to the sole shareholder of Healarium, Inc., the assets of which we purchased for such consideration and a payment by the seller to us of \$200,000.

On March 30, 2016, we sold NMM 555,555 units (the "Series B Units") each Series B Unit consisting of one share of our Series B Preferred Stock (the "Series B Preferred Stock") and a stock purchase warrant (the "Series B Warrant") to purchase one share of our Common Stock at an exercise price of \$10.00 per share, for which NMM paid us \$4,999,995.

The securities described above were all issued in reliance upon the exemption from registration contained in Section 4(a)(2) of the Securities Act of 1933, as amended, and/or Rule 506(b) of Regulation D promulgated by the SEC thereunder. For more information regarding these issuances, see "Management's Discussion and Analysis and Results of Operations – Liquidity and Capital Resources".

On February 15, 2016, we issued an aggregate 138,463 shares of our Common Stock upon the conversion by certain holders of our 9% Notes prior to their maturity on February 15, 2016. We received no proceeds in connection with this conversion and issuance. The securities were issued in reliance upon the exemption from registration contained in Section 4(a)(2) of the Securities Act of 1933, as amended, Rule 506(b) of Regulation D and/or Regulation S promulgated by the SEC thereunder.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans and agreements as of March 31, 2015, including our 2010 Equity Incentive Plan (as amended) (the "2010 Plan"), our 2013 Equity Incentive Plan (the "2013 Plan") and our 2015 Equity Incentive Plan (the "2015 Plan"). The material terms of each of these plans and agreements are described in the notes to our March 31, 2016 consolidated financial statements, which are part of this Report. The 2010 Plan and the 2013 Plan were approved by our stockholders, and we intend to seek approval of our stockholders of the 2015 Plan at our 2016 Annual Meeting of Stockholders. If our stockholders do not approve the 2015 Plan on or before December 15, 2016, the 2015 Plan will be null and void as will all grants made under the 2015 from the date of its adoption.

Plan Category	Number of shares of common stock to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of shares of common stock remaining available for future issuance under equity compensation plans (excluding securities reflected)
Equity compensation plans approved by stockholders	690,000	\$ 3.35	48,600
Equity compensation plans not approved by stockholders	374,150	5.97	1,125,850
Total	1,064,150	\$ 4.27	1,174,450

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

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

You should read the following management's discussion and analysis together with our consolidated financial statements and the related notes which have been included in this Annual Report. This discussion contains forward-looking statements about our business and operations. Our actual results may differ materially from those we currently anticipate as a result of the factors we describe under "Risk Factors" and elsewhere in this Annual Report.

Overview

We are a patient-centered, physician-centric integrated population health management company, working to provide coordinated, outcomes-based medical care in a cost-effective manner. We have built a company and culture that is focused on physicians providing high quality care, population management and care coordination for patients, particularly for senior patients and patients with multiple chronic conditions. We believe that we are well-positioned to take advantage of changes in the U.S. healthcare industry as there is a growing national movement towards value based healthcare centered on the triple aim of patient satisfaction, high-quality care and cost efficiency.

We operate in one reportable segment, the healthcare delivery segment, and implement and operate innovative health care models to create a patient-centered, physician-centric experience. Accordingly, we report our consolidated financial statements in the aggregate, including all of our activities in one reportable segment. We have the following integrated, population health platforms:

- Hospitalists, which includes our contracted physicians who focus on the delivery of comprehensive medical care to hospitalized patients;
- ACO, which focuses on the provision of high-quality and cost-efficient care to Medicare FFS patients;
- MMG, which contracts with physicians and provides care to Medicare, Medicaid, commercial and dual eligible patients on both fee-for-service and risk and value based fee bases;
- Clinics, which provide primary care and specialty care in the greater Los Angeles area; and
- Palliative care, home health and hospice services, which include, at-home care, pain management and end-of-life services.
- Population and patient technology platform.

Our revenue streams are diversified among our various operations and contract types, and include:

- Traditional fee-for-service reimbursement, which is the primary revenue source for our clinics and palliative care; and
- Risk and value-based contracts with health plans, IPAs, hospitals and the CMS's MSSP, which are the primary revenue sources for our hospitalists, ACO and IPAs.

We serve Medicare, Medicaid, HMO and uninsured patients in California. We primarily provide services to patients that are covered by private or public insurance, although we do derive a small portion of our revenue from non-insured patients. We provide care coordination services to each major constituent of the healthcare delivery system, including patients, families, primary care physicians, specialists, acute care hospitals, alternative sites of inpatient care, physician groups and health plans.

ApolloMed has built a company and culture that is focused on physicians providing high quality care, population management and care coordination for patients, particularly for senior patients and patients with multiple chronic conditions. Our goal is to transform the delivery of healthcare services in the communities we serve by implementing innovative population health models and creating a patient-centered, physician-centric experience in a high performance environment of integrated care.

The initial business owned by ApolloMed is AMH, a hospitalist company, incorporated in California in June, 2001 and began operations at Glendale Memorial Hospital. Through a reverse merger, ApolloMed became a publicly held company in June 2008. ApolloMed was initially organized around the admission and care of patients at inpatient facilities such as hospitals. We have grown our inpatient strategy in a competitive market by providing high-quality care and innovative solutions for our hospital and managed care clients. In 2012, we formed an ACO, ApolloMed ACO, and an IPA, MMG, and in 2013 we expanded our service offering to include integrated inpatient and outpatient. In 2014, we added several complementary operations by acquiring an IPA, outpatient primary care and specialty clinics, as well as hospice/palliative care and home health entities.

Our physician network consists of hospitalists, primary care physicians and specialist physicians primarily through our owned and affiliated physician groups. We operate through the following subsidiaries: AMM, PCCM, VMM and ApolloMed ACO. Through our wholly-owned subsidiary, AMM, we manage affiliated medical groups, which consist of AMH, MMG, SCHC, and BAHA. Through our wholly-owned subsidiary, PCCM, we manage LALC, and through our wholly-owned subsidiary VMM, we manage Hendel. We also have a controlling interest in APS, which owns two Los Angeles-based companies, Best Choice Hospice Care LLC and Holistic Health Home Health Care Inc. AMM, PCCM and VMM each operate as a physician practice management company and are in the business of providing management services to physician practice corporations under long-term management service agreements. Our ACO participates in the MSSP, the goal of which is to improve the quality of patient care and outcomes through more efficient and coordinated approach among providers. Revenues earned by ApolloMed ACO are uncertain, and, if such amounts are payable, they will be paid on an annual basis significantly after the time earned, and will be contingent on various factors, including achievement of the minimum savings rate as determined by MSSP for the relevant period.

Highlights

The following describes certain developments in 2016 to date that are important to understanding our financial condition and results of operations. See the notes to our consolidated financial statements included in this report for additional information about each of these developments.

Operations

- Increased net revenues by 34% to over \$44 million from approximately \$33 million, which net revenues consisted of approximately \$17.3 million from our hospitalists, approximately \$14.0 million from our IPAs, approximately \$7.3 million from our clinics and \$6.0 million from our palliative care services.
- Generated a loss from operations in 2016 of approximately \$7.3 million, compared to loss from operations of approximately \$0.7 million in the comparable period of 2015.
- In early calendar 2016, we were notified by Health Net, Inc. that they had reduced their Medi-Cal Expansion Professional Capitation rates, retroactive to July 1, 2015. Subsequently, LA Care Health Plan also notified us that they had reduced their Medi-Cal Professional Cap rate retroactive to January 1, 2016. These changes reduced Maverick's revenue by approximately \$1 million.

Financings

- Obtained \$15 million gross proceeds from the issuance of Series A preferred stock and Series B preferred stock.
- Repaid approximately \$1 million on a line of credit and approximately \$6.5 million of notes payable and accrued interest with a portion of the funds received in the Series A preferred stock financing.
- Issued common stock for the conversion of approximately \$2,000,000 of 8% notes payable and accrued interest, and warrants.
- Issued common stock for the conversion of approximately \$0.6 million of 9% notes and accrued interest.

Acquisitions / Dispositions

- Acquired certain population health management technology and other assets from Healarium, Inc.
- Disposed of substantially all the assets of an underperforming entity, ACC.
- Merged operations of AKM into those of MMG.

Results of Operations

The following sets forth selected data from of our results of operations for the periods presented:

	Years Ended March 31,		\$ Change	% Change
	2016	2015		
Net revenues	\$ 44,048,740	\$ 32,989,742	\$ 11,058,998	34%
Costs and expenses				
Cost of services	34,000,786	22,067,421	11,933,365	54%
General and administrative	16,962,687	11,282,221	5,680,466	50%
Depreciation and amortization	351,396	334,434	16,962	5%
Total costs and expenses	51,314,869	33,684,076	17,630,793	52%
Loss from operations	(7,266,129)	(694,334)	(6,571,795)	946%
Other (expense) income				
Interest expense	(542,296)	(1,326,407)	784,111	-59%
(Loss) gain on change in fair value of warrant and conversion feature liabilities	(408,692)	833,545	(1,242,237)	-149%
Loss on debt extinguishment	(266,366)	-	(266,366)	100%
Other income	239,057	3,031	236,026	7787%
Total other expense, net	(978,297)	(489,831)	(488,466)	100%
Loss before income tax (benefit) provision	(8,244,426)	(1,184,165)	(7,060,261)	596%
Income tax (benefit) provision	(71,037)	163,792	(234,829)	-143%
Net loss	(8,173,389)	(1,347,957)	(6,825,432)	506%
Net income attributable to noncontrolling interest	1,170,655	454,644	716,011	157%
Net loss attributable to Apollo Medical Holdings, Inc.	\$ (9,344,044)	\$ (1,802,601)	\$ (7,541,443)	418%

Year Ended March 31, 2016 Compared to Year Ended March 31, 2015

Net revenues

Net revenues for the year ended March 31, 2016 increased by approximately \$11.0 million, from \$33.0 million to \$44.0 million, or 34%, as compared to the same period of 2015. The increase in net revenues was primarily due to an increase of \$7.3 million in full year revenue impact of BCHC, HCHHA and SCHC which were acquired in fiscal year 2015, an increase of \$5.4 million in revenue from variable interest entity BAHA which was consolidated starting February 2015 and a \$3.6 million increase in MMG revenues due to the growth in capitated membership, partially offset by the \$5.4 million ACO shared savings revenue earned in the year ended March 31, 2015, which did not recur in the current year.

Cost of services

Cost of services for the year ended March 31, 2016 increased by approximately \$11.9 million, from \$22.1 million to \$34.0 million, or 54%, as compared to the same period of 2015. The increase was primarily due to a \$5.2 million increase in MMG claim costs as a result of the increase in patient lives, and the cost of services increase of \$4.5 million due to the incremental costs associated with our acquisitions during fiscal 2015 of BCHC, HCHHA and SCHC. Additionally, consolidating BAHA added \$4.0 million of additional cost of services. These increases were offset by a \$1.4 million decrease in the cost of the participating physician share of the ACO savings revenue.

General and administrative

General and administrative costs for the year ended March 31, 2016 increased by approximately \$5.7 million, from \$11.3 million to \$17 million, or 50%, as compared to the same period of 2015. Approximately \$1.7 million of the increase relates to the entities acquired in fiscal year 2015, including SCHC, BCHC and HCHHA, \$1.0 million came from an increase in professional fees, \$0.7 million related to impairment of AKM and loss on disposal of ACC assets, \$0.5 million in debt extinguishment cost and an increase in our accounts receivable reserve of approximately \$0.4 million.

Depreciation and amortization

Depreciation and amortization expense for the year ended March 31, 2016, increased by approximately \$0.1 million, from \$0.3 million to \$0.4 million, or 6%, as compared to the same period of 2015. This increase was primarily due to an increase in depreciation and amortization expense related to the purchase of assets.

Operating Loss (Income)

Operating loss for the year ended March 31, 2016, increased by approximately \$6.6 million, from \$0.7 million to \$7.3 million, or 946%. This increase in loss is primarily due to non-cash expenses of approximately \$3.6 million related to change in fair value of warrant liabilities, stock based compensation, depreciation and amortization, loss on extinguishment of debt, amortization of deferred financing costs, impairment of certain of our intangible assets and bad debt expense.

Interest expense

Interest expense for the year ended March 31, 2016, decreased by approximately \$0.8 million, from \$1.3 million to \$0.5 million, or 62%, as compared to the same period of 2015. This decrease was primarily due to the decrease in the amortization expense of the debt discount as a result of the out of period correction adjustment to properly state our warrant liability, unamortized debt discount and deferred financing costs (see Note 2 to Notes to Consolidated Financial Statements) and also due to the repayment of the outstanding NNA debt and conversion of the NNA note and warrant to shares of common stock.

Gain on change in fair value of warrant and conversion feature liabilities

The loss on change in fair value of warrant and conversion feature liabilities for the year ended March 31, 2016, increased by approximately \$1.2 million, from a gain of \$0.8 million to a loss of \$0.4 million, or 149%, as compared to the same period of 2015. This decrease in gain resulted from the change in the fair value measurement of our warrant and conversion feature liabilities, which consider, among other things, expected term, the volatility of our share price, interest rates, and the probability of additional financing of the then outstanding term loan with NNA (the "NNA Term Loan") and the then outstanding 8% convertible note issued to NNA (the "NNA Note") and conversion feature of the Series A Warrants and Series B Warrants issued to NMM.

Loss on Extinguishment of Debt, Net

For the year ended March 31, 2016, we incurred a loss on debt extinguishment of \$0.3 million in connection with the repayment of NNA debt and conversion of our then outstanding debt to NNA into shares of our common stock.

Other income

For the year ended March 31, 2016, the net other income changed by \$0.2 million from approximately \$3,000 to \$0.2 million primarily due to the gain of approximately \$0.2M related to provider performance incentive received by IPA from Health Plan.

Income tax (benefit) provision

For the year ended March 31, 2016, income tax benefit changed by \$0.3 million, from provision for income taxes of approximately \$0.2 million to income tax benefit of \$0.1 million as a result of the prior year being over accrued.

Net income attributable to non-controlling interests

For the year ended March 31, 2016, net income attributable to non-controlling interest increased by \$0.7 million from income of \$0.5 million to \$1.2 million, primarily due to income of \$1.2 million in LALC, which represents an increase of over \$2 million from prior year, partially offset by a net increase in net loss of Best Choice and AMH of approximately \$0.4 million.

Net loss

As a result of the foregoing factors, we incurred a net loss for the year ended March 31, 2016 of approximately \$8.2 million compared to a net loss of approximately \$1.3 million for the year ended March 31, 2015, an increase in net loss of approximately \$6.9 million. Net loss per share was \$1.79 for the year ended March 31, 2016 compared to a net loss per share of \$0.37 for the year ended March 31, 2015, an increase in net loss per share of \$1.42.

Acquisition of Assets from Healarium Inc.

In January 2016, Apollo Care Connect acquired certain population health management technology and other assets from Healarium, Inc., a third party entity, which was determined to be a purchase of assets. According to the asset purchase agreement, the Company agreed to issue 275,000 shares of common stock with a fair value of \$1,512,500 in exchange for the technology with a fair value of approximately \$1.3 million, plus \$200,000 in cash paid by the seller to us.

The acquired technology will be amortized over its estimated useful life of five years starting April 2016, when the technology was placed in service.

Liquidity and Capital Resources

We have a history of operating losses. We had net loss of approximately \$8.2 million and approximately \$1.3 million for the years ended March 31, 2016 and 2015, respectively. We had negative cash flow from operations of approximately \$1.8 million and approximately \$0.3 million for the years ended March 31, 2016 and 2015, respectively. Cash flows used in investing activities were approximately \$0.2 and approximately \$3.2 million for the years ended March 31, 2016 and 2015, respectively. Cash flows provided by financing activities were approximately \$6.3 million for the year ended March 31, 2016, compared to cash flows provided by financing activities of approximately \$1.7 million for the year ended March 31, 2015. We expect to have positive cash flow from operations for our 2017 fiscal year.

As of March 31, 2016 we have an accumulated deficit of approximately \$29 million. At March 31, 2016, we had cash equivalents of approximately \$9.3 million compared to cash and cash equivalents of approximately \$5.0 million at March 31, 2015. At March 31, 2016, we had net borrowings totaling approximately \$0.2 million compared to net borrowings at March 31, 2015 of approximately \$7.6 million and availability under lines of credit of approximately \$0.5 million.

To date, we have funded our operations from a combination of internally generated cash flow and external sources, including the proceeds from the issuance of equity and/or debt securities. We expect to continue to fund our working capital requirements, capital expenditures and payments of principal and interest on outstanding indebtedness, with cash on hand, cash flows from operations, available borrowings under our lines of credit and, if available, additional financings of equity and/or debt. Management believes that the Company has sufficient liquidity to meet its obligation for at least the next twelve months through June 30, 2017.

For the year ended March 31, 2016, cash used in operating activities was approximately \$1.8 million. This was the result of net loss of \$8.2 million offset by add-backs of non-cash expenses of \$3.7 million and the change in working capital of \$2.7 million. Non-cash expenses primarily include provision for doubtful accounts, depreciation and amortization expense, stock-based compensation expense, loss on debt extinguishment, impairment of goodwill and intangible assets, amortization of deferred financing costs, accretion of debt discount, write-off of postponed public offering costs and the change in the fair value of the warrant and conversion feature liabilities. Cash provided by changes in working capital was primarily due to the \$1 million increase in accounts payable and accrued liabilities, increase of \$1.4 million in medical liabilities and the \$0.3 million increase in other receivables.

On March 1, 2016, we sold substantially all the assets of ACC to an unrelated third party. In connection with the sale, we received cash of \$10,000 and the purchaser issued a non-interest bearing promissory note to us in the amount of \$51,000, of which \$5,000 was repaid prior to year-end of fiscal year 2016. We recognized a loss on disposal in the amount of \$476,745 related to this transaction, which consisted of the write-off of the remaining goodwill and intangible assets of ACC in the amount of \$461,500 and \$27,427, respectively, offset by the gain on the sale of net tangible assets in the amount of \$12,182. In addition, during the year ended March 31, 2016, we determined that the remaining goodwill and intangible assets of AKM in the amount of \$83,943 and \$123,342, respectively, were not recoverable. Accordingly, we recorded an impairment charge in the aggregate amount of \$207,285 for the year ended March 31, 2016.

For the year ended March 31, 2016, cash used in investing activities was approximately \$0.2 million. This was the result of \$0.3 million used for the purchase of fixed assets.

For the year ended March 31, 2016, net cash provided by financing activities was \$6.3 million which included proceeds of \$15 million received from the NMM financings, \$0.2 million received from issuance of common stock and \$0.1 million from our line of credit, offset by the \$7.5 million principal payments on our Term Loan and Revolving Loan (as those terms are defined below under "NNA Financing"), \$0.7 million distribution to a non-controlling interest physician practice, repurchase of equity interests of \$0.3 million and \$0.5 million principal payments on 9% convertible notes payable.

Out of Period Correction

During the quarter ended September 30, 2015, following a review of the terms of certain financial instruments entered into on March 28, 2014, management determined that the warrant liability was incorrectly valued which resulted in certain amounts being incorrectly stated in prior periods. Based on an analysis of the resulting adjustments, management determined that the previously issued consolidated financial statements as of and for the years ended March 31, 2015 and 2014 were not considered to be materially misstated and can continue to be relied upon. Accordingly, the Company recorded an out of period correction in the current year to adjust the valuation of its warrant liability which decreased by approximately \$831,000; unamortized debt discount which decreased by approximately \$764,000, deferred financing costs which increased by approximately \$15,000; interest expense which decreased by approximately \$250,000 and loss on the change in the fair value of warrant which increased by approximately \$168,000. The impact of these adjustments was also not deemed to be material to the year ended March 31, 2016.

NNA Financing

On March 28, 2014, we entered into a Credit Agreement (the "Credit Agreement") pursuant to which NNA, an affiliate of Fresenius, extended to us (i) a \$1,000,000 revolving line of credit (the "Revolving Loan") and (ii) a \$7,000,000 term loan (the "Term Loan"). The Company drew down the full amount of the Revolving Loan on October 23, 2014. The Term Loan and Revolving Loan were to mature on March 28, 2019, subject to NNA's right to accelerate payment on the occurrence of certain events. The Term Loan may be prepaid at any time without penalty or premium. The loans extended under the Credit Agreement are secured by substantially all of our assets, and were guaranteed by our subsidiaries and consolidated entities. The guarantees of these subsidiaries and consolidated entities were in turn secured by substantially all of the assets of the subsidiaries and consolidated entities providing the guaranty. Any entity that subsequently becomes a subsidiary or consolidated entity would have been required to provide a similar guaranty secured by substantially all of its assets and to comply with all of the other applicable requirements in the Credit Agreement and NNA Convertible Note (as defined below).

Concurrently with the Credit Agreement, we entered into an Investment Agreement with NNA (the "Investment Agreement"), pursuant to which it issued to NNA a Convertible Note in the original principal amount of \$2,000,000 (the "NNA Convertible Note"). We drew down the full principal amount of the NNA Convertible Note on July 30, 2014. The NNA Convertible Note was to mature on March 28, 2019, subject to NNA's right to accelerate payment on the occurrence of certain events. We were able to redeem amounts outstanding under the NNA Convertible Note on 60 days' prior notice to NNA. Amounts outstanding under the NNA Convertible Note were convertible at NNA's sole election into shares of our common stock at an initial conversion price of \$10.00 per share. Our obligations under the NNA Convertible Note were guaranteed by our subsidiaries and consolidated entities (including any subsidiaries or consolidated entities that are acquired or formed in the future).

On February 6, 2015, we entered into a First Amendment and Acknowledgement (the "Acknowledgement") with NNA, Warren Hosseinion, M.D., and Adrian Vazquez, M.D. The Acknowledgement amended some provisions of, and/or provided waivers in connection with, each of (i) the Registration Rights Agreement between the Company and NNA, dated March 28, 2014 (the "Registration Rights Agreement"), (ii) the Investment Agreement, (iii) the NNA Convertible Note, and (iv) the NNA Warrants. The amendments to the Registration Rights Agreement included amendments with respect to the timing of the filing deadline for a resale registration statement for the benefit of NNA.

On May 13, 2015, we entered into an Amendment to First Amendment and Acknowledgement (the "Amendment") with NNA. The Amendment amended the Acknowledgement among the Company, NNA, Warren Hosseinion, M.D., and Adrian Vazquez, M.D. and included an extension until June 12, 2015 of a deadline previously contemplated by the Acknowledgement for the Company to file a registration statement covering the sale of NNA's registrable securities.

On July 7, 2015, we entered into an Amendment to First Amendment and Acknowledgement (the "New Amendment") with NNA. The New Amendment amended the Acknowledgement, as amended by the Amendment, among the Company, NNA, Warren Hosseinion, M.D., and Adrian Vazquez, M.D. and included an extension until October 15, 2015 of a deadline previously contemplated by the Acknowledgement for the Company to file a registration statement covering the sale of NNA's registrable securities. If the registration statement is not filed with the SEC on or prior to the filing deadline, the Company must pay to NNA an amount in common stock based upon its then fair market value, as liquidated damages equal to 1.50% of the aggregate purchase price paid by NNA.

On August 18, 2015, we entered into a Waiver and Consent (the "Waiver") with NNA, whereby NNA waived and consented to certain provisions of the Credit Agreement and the Convertible Note. Under the terms of the Waiver, NNA (i) agreed to treat BAHA as an "Immaterial Subsidiary" until October 15, 2015 such that until such date BAHA is not subject to most of the requirements of the Credit Agreement and Convertible Note, including the financial covenants contained therein; (ii) waived events of default which have occurred under the Credit Agreement and Convertible Note as a result of payments made by us to Adrian Vazquez, M.D. and Warren Hosseinion, M.D. in fiscal years 2014 and 2015, which were not permitted under the Credit Agreement or the Convertible Note; (iii) waived an event of default which occurred under the Credit Agreement and Convertible Note as a result of our failure to satisfy a consolidated net worth covenant for the fiscal quarter ended June 2015; and (iv) waived an event of default which occurred under the Credit Agreement and Convertible Note as a result of an outstanding principal balance under an Intercompany Loan Agreement which exceeded the permitted amount by \$213,276, with such waiver granted by NNA until October 15, 2015 and subject to a maximum excess loan balance of \$250,000 during such time.

Under the Investment Agreement, we issued to NNA the NNA Warrants.

The Credit Agreement, Investment Agreement and NNA Convertible Note contained various representations, warranties and covenants that we made, including the following:

- We and our subsidiaries and consolidated entities were prohibited from acquiring another entity or business with a purchase price greater than \$500,000 without NNA's prior consent;
- We and our subsidiaries and consolidated entities were prohibited from creating or acquiring new subsidiaries without NNA's prior approval. We were further prohibited from creating or acquiring any subsidiary that is not wholly-owned by us or one of our subsidiaries;
- We were required to meet certain financial covenants as to consolidated EBITDA, leverage ratio, fixed charge coverage ratio and consolidated tangible net worth (in the case of consolidated tangible net worth, adding back certain goodwill and intangible assets of some of our acquisitions). In particular, we were required (i) to maintain a consolidated tangible net worth of no less than \$(3,700,000) as of March 31, 2015, June 30, 2015 and September 30, 2015, respectively, and a consolidated tangible net worth of no less than \$0 as of December 31, 2015, and (ii) to have consolidated EBITDA of not less than \$1,000,000 and a fixed charge coverage ratio of not less than 1.25 to 1.0, in each case as of September 30, 2015;
- We were prohibited from being acquired by merger or consolidation without NNA's prior consent. With certain exceptions, neither we nor any of our subsidiaries or consolidated entities was permitted to sell or dispose of any assets;
- With certain exceptions, neither we nor any of our subsidiaries or consolidated entities were permitted to incur any indebtedness or permit any liens to be placed on their properties without NNA's prior consent;
- With certain exceptions, neither we nor any of our subsidiaries or consolidated entities were permitted to make any dividends or distributions or repurchase shares of its capital stock without NNA's prior consent.

Both the NNA Convertible Note and the NNA Warrants included the following terms:

- The exercise price under the NNA Warrants and the conversion price under the NNA Convertible Note and the number of shares underlying such securities would be adjusted under certain circumstances, resulting in the issuance of additional shares of our securities. This adjustment would be triggered by our issuance of shares of our common stock (or securities issuable into its common stock) at a price per share less than \$9.00 per share. The adjustments described in this paragraph did not apply to certain exempt issuances, including the sale of shares of our common stock in a bona fide, firmly underwritten public offering pursuant to a registration statement under the 1933 Act and with a purchase price per share of at least \$20.00 (a "Qualified IPO"). In addition, these adjustments would terminate on the earlier of (i) March 28, 2016 or (ii) our closing of an equity financing yielding gross cash proceeds of at least \$2,000,000 (the "Next Financing"). Any future issuances of our securities that are not exempt would result in the adjustments described in this paragraph until the adjustments are terminated.
- We were required to make cash payments to NNA on a ratable basis if we made any payments to holders of restricted stock units, phantom equity rights, equity appreciation rights or any other payments calculated in reference to the valuation or changes in valuation of our common stock or equity.

Under the Investment Agreement, we also granted the following rights to NNA for so long as NNA holds a specified number shares of our common stock or NNA Warrants or the NNA Convertible Note convertible into such specified number of shares of our common stock:

- NNA has the right to have one director nominated to our Board of Directors and each Board of Directors committee, and to appoint one representative to attend meetings of our Board of Directors and each Board of Director's committee as an observer.
- With certain specified exceptions, NNA has the right to subscribe for its pro rata share of any of our issuances of securities on the same terms as such securities are being offered to others. This subscription right does not apply to certain exempt issuances, including the sale of our shares of common stock in a Qualified IPO.

We have also entered into a Registration Rights Agreement with NNA, which, as amended, provides NNA with the following rights, among others:

- NNA has the right to include all of its registrable securities (except for those eligible for resale under Rule 144) in any public offering by us of our securities under a registration statement filed with the SEC.
- We are prohibited for an extended period of time from preparing or filing with the SEC a registration statement without the prior consent of NNA.
- We are required to prepare and file with the SEC a registration statement covering the sale of NNA's registrable securities by April 28, 2017. If we fail to do so, on such date, and in each following month until we file the registration statement registering NNA's registrable securities, we must pay NNA liquidated damages of 1.5% of the total purchase price of the registrable securities owned by NNA, payable in Common Stock. We are also required to use our commercially reasonable best efforts to cause the registration statement registering NNA's registrable securities to be declared effective by the SEC by the earlier of (i) October 27, 2017 or (ii) the 5th trading day after the date we are notified by the SEC that such registration statement will not be reviewed or will not be subject to further review to have such registration statement declared effective by the SEC.

On October 15, 2016, we repaid all outstanding principal and accrued and unpaid interest owed to NNA under the Credit Agreement, as described below under "NMM Investments – October 2015 Investment by NMM, Repayment of NNA Debt and Conversion of NNA Warrants".

NMM Investments

October 2015 Investment by NMM, Repayment of NNA Debt and Conversion of NNA Warrants

On October 14, 2015, we entered into a Securities Purchase Agreement (the "2015 Agreement") with NMM, pursuant to which we sold to NMM, and NMM purchased from us, in a private offering of securities, 1,111,111 Series A Units, each Series A Unit consisting of one share of Series A Preferred Stock and a Series A Warrant to purchase one share of our Common Stock at an exercise price of \$9.00 per share. NMM paid us an aggregate \$10,000,000 for the Series A Units, the proceeds of which we used primarily to repay certain outstanding indebtedness owed by us to NNA and the balance for working capital.

The Series A Preferred Stock has a liquidation preference in the amount of \$9.00 per share plus any declared and unpaid dividends. The Series A Preferred Stock can be voted for the number of shares of our Common Stock into which the Series A Preferred Stock could then be converted, which initially is one-for-one.

The Series A Preferred Stock is convertible into shares of our Common Stock, at the option of NMM, at any time after issuance at an initial conversion rate of one-for-one, subject to adjustment in the event of stock dividends, stock splits and certain other similar transactions. The Series A Preferred Stock is mandatorily convertible not sooner than the earlier to occur of (i) the later of (x) January 31, 2017 or (y) 60 days after the date on which we file our quarterly report on Form 10-Q for the period ending September 30, 2016 (the "Redemption Expiration Date"); or (ii) the date on which we receive the written, irrevocable decision of NMM not to require a redemption of the Series A Preferred Stock (as described in the following paragraph), in the event that we engage in one or more transactions resulting in gross proceeds of not less than \$5,000,000, not including any transaction with NMM.

At any time prior to conversion and through the Redemption Expiration Date, the Series A Preferred Stock may be redeemed at the option of NMM, on one occasion, in the event that our net revenue for the four quarters ending September 30, 2016, as reported in our periodic filings under the Exchange Act, are less than \$60,000,000. In such event, we shall have up to one year from the date of the notice of redemption by NMM to redeem the Series A Preferred Stock, the Series A Warrants and any shares of our Common Stock issued in connection with the exercise of any Series A Warrants theretofore (collectively the "Redeemed Securities"), for the aggregate price paid therefor by NMM, together with interest at a rate of 10% per annum from the date of the notice of redemption until the closing of the redemption. Any mandatory conversion described in the previous paragraph shall not take place until such time as it is determined that that conditions for the redemption of the Redeemed Securities have not been satisfied or, if such conditions exist, NMM has decided not to have such securities redeemed.

The Series A Warrants may be exercised at any time after issuance and through October 14, 2020, for \$9.00 per share, subject to adjustment in the event of stock dividends and stock splits. Alternatively, the Series A Warrants may be exercised pursuant to a "cashless exercise" feature, for that number of shares of Common Stock determined by dividing (x) the aggregate Fair Market Value (as defined in the Series A Warrant) of the shares in respect of which the Series A Warrant is being converted minus the aggregate Warrant Exercise Price (as defined in the Series A Warrant) of such shares by (y) the Fair Market Value of one share of our Common Stock. The Series A Warrants are not separately transferable from the Series A Preferred Stock. The Series A Warrants are subject to redemption in the event that the Series A Preferred Stock is redeemed by NMM, as described above.

Pursuant to the 2015 Agreement, NMM has the right to designate to the Nominating/Corporate Governance Committee of the Board of Directors one person to be nominated as a director of the Company. NMM has designated Thomas S. Lam, M.D., and he was elected as a director on January 19, 2016.

Without the written consent of NMM, between the Closing Date and the six month anniversary of the Closing Date, we shall not acquire, sell all or substantially all of its assets to, effect a change of control, or merge, combine or consolidate with, any other person engaged in the business of being a management service organization ("MSO"), ACO or IPA, or enter into any agreement with respect to any of the foregoing.

The 2015 Agreement contains other provisions typical of a transaction of this nature, including without limitation, representation and warranties, mutual indemnification by the parties, governing law and venue for resolution of disputes.

The securities sold to NMM have not been registered under the Securities Act and there are no registration rights with respect thereto.

On October 15, 2015, we repaid, from the proceeds of the sale of the securities to NMM under the 2015 Agreement, our outstanding term loan and revolving credit facility with NNA pursuant to the Credit Agreement, in the aggregate amount of \$7,304,506, consisting of principal plus accrued interest. As of March 31, 2016, no amount remains outstanding to NNA.

On November 17, 2015, we entered into the Conversion Agreement, pursuant to which we issued 275,000 shares of our Common Stock and paid accrued and unpaid interest of \$47,112, to NNA, in full satisfaction of NNA's conversion and other rights under their Convertible Note in the principal amount of \$2,000,000. Pursuant to the Conversion Agreement, we issued a total of 325,000 shares of our Common Stock to NNA in exchange for all NNA Warrants, under which NNA originally had the right to purchase 300,000 shares of our Common Stock at an exercise price of \$10 per share and 200,000 shares of our Common Stock at an exercise price of \$20 per share, in each case subject to anti-dilution adjustments. We received no proceeds from NNA in connection with the exercise of the NNA Warrants.

The Conversion Agreement also amended certain terms of the Registration Rights Agreement dated March 28, 2014 between us and NNA, with respect to the timing of the filing deadline for a resale registration statement covering NNA's registrable securities. The Conversion Agreement also amended the Investment Agreement dated March 28, 2014 between us and NNA, (i) to delete NNA's right to subscribe to purchase a pro rata share of certain new equity securities that may be issued by us in the future and (ii) to provide that NNA must hold at least 200,000 shares of our Common Stock to have the right (y) to appoint a representative to attend all meetings of the Company's Board of Directors and any committee thereof in a nonvoting observer capacity, and (z) to have a representative nominated as a member of the Company's Board and each committee thereof, including without limitation the Company's compensation committee. NNA nominated Mark Fawcett as its representative on the Board and Mr. Fawcett was elected as a director on January 12, 2016.

On March 30, 2016, we entered into a Securities Purchase Agreement (the "2016 Agreement") with NMM, pursuant to which we sold to NMM, and NMM purchased from us, in a private offering of securities, 555,555 Series B Units, each Series B Unit consisting of one share of our Series B Preferred Stock and a Series B Warrant to purchase one share of our Common Stock at an exercise price of \$10.00 per share. NMM paid us an aggregate \$4,999,995 for the Series B Units, the proceeds of which will be used by us for working capital.

The Series B Preferred Stock has a liquidation preference in the amount of \$9.00 per share plus any declared and unpaid dividends. The Series B Preferred Stock can be voted for the number of shares of Common Stock into which the Series B Preferred Stock could then be converted, which initially is one-for-one.

The Series B Preferred Stock is convertible into shares of our Common Stock, at the option of NMM, at any time after issuance at an initial conversion rate of one-for-one, subject to adjustment in the event of stock dividends, stock splits and certain other similar transactions. The Series B Preferred Stock is mandatorily convertible in the event that we engage in one or more transactions resulting in gross proceeds of not less than \$5,000,000, not including any transactions with NMM.

The Series B Warrants may be exercised at any time after issuance and through March 31, 2021, for \$10.00 per share, subject to adjustment in the event of stock dividends and stock splits. Alternatively, the Series B Warrants may be exercised pursuant to a "cashless exercise" feature, for that number of shares of our Common Stock determined by dividing (x) the aggregate Fair Market Value (as defined in the Series B Warrant) of the shares in respect of which the Series B Warrant is being converted minus the aggregate Warrant Exercise Price (as defined in the Series B Warrant) of such shares by (y) the Fair Market Value of one share of our Common Stock. The Series B Warrants are not separately transferable from the Series B Preferred Stock.

The 2016 Agreement contains other provisions typical of a transaction of this nature, including without limitation, representation and warranties, mutual indemnification by the parties, governing law and venue for resolution of disputes.

The securities sold to NMM have not been registered under the Securities Act and there are no registration rights with respect thereto.

Contractual Obligations and Commercial Commitments

Debt Agreements

As of March 31, 2016, our only debt consisted of lines of credit in the amount of \$188,764.

We have contingent payment arrangements associated with our acquisitions of AKM, SCHC, BCHC, and HCHHA in fiscal 2015. The aggregate maximum of contingent payments under these arrangements was \$1,550,000, of which \$250,000 and \$ 954,904 was paid in fiscal 2015 and fiscal 2016 respectively.

Employment Agreements

We have various employment and consulting agreements with several of our key personnel, including Warren Hosseinion, M.D., our Chief Executive Officer, a company wholly-owned by Gary Augusta, our Executive Chairman of the Board and Adrian Vazquez, M.D., our Chief Medical Officer, which provide for, among other items, annual base salaries, discretionary bonuses and participation in our equity incentive plans. These agreements contain change of control, termination and severance clauses that require us to make payments to certain of these employees if certain events occur as defined in their respective contracts. Our obligations under these agreements are not reflected in the table above.

On March 28, 2014, AMM entered into substantially similar employment agreements with each of Warren Hosseinion, M.D., our Chief Executive Officer (the "Hosseinion Employment Agreement") and Adrian Vazquez, M.D., our Chief Medical Officer (individually, the "Vazquez Employment Agreement" and, together with the Hosseinion Employment Agreement, the "Executive Employment Agreements"), pursuant to which Drs. Hosseinion and Vazquez have agreed to serve as senior executives of AMM. Each of the Executive Employment Agreements provides for (i) base salary of \$200,000 per year; (ii) participation in any incentive compensation plans and stock plans of AMM that are available to other similarly positioned employees of AMM; and (iii) reimbursement of expenses incurred on behalf of AMM.

AMM has the right under the Hosseinion Employment Agreement to terminate Dr. Hosseinion, and the right under the Vazquez Employment Agreement, for cause if, among other things, there is a material and uncured breach by Dr. Hosseinion or Dr. Vazquez, as the case may be, of any of the following agreements: (i) their respective Hospitalist Participation Agreement (defined below) or other employment agreement with AMH; (ii) that certain Stockholder Agreement dated as of March 28, 2014, by and among Dr. Hosseinion, Adrian Vazquez, M.D., NNA, AMM and us (the "Stockholder Agreement"); (iii) any Physician Shareholders Agreements in favor of AMM or us, for the account of each of ACC, MMG and AMH. If either Dr. Hosseinion's or Dr. Vazquez's employment is terminated by AMM without cause, or Dr. Hosseinion or Dr. Vazquez terminates his employment for good reason, or AMM provides notice of intent not to renew, Dr. Hosseinion or Dr. Vazquez, as the case may be, is entitled, subject to entering into a binding release, to be paid severance of an amount equal to four weeks of his most recent base salary for every full year of his active employment by AMM, but such amount is to be no less than six months' worth and no more than one year's worth of his most recent base salary. The Hosseinion Employment Agreement replaced, and thereby terminated, the prior employment agreement between AMM and Dr. Hosseinion, and the Vazquez Employment Agreement replaced, and thereby terminated, the prior employment agreement between AMM and Dr. Vazquez.

On January 12, 2016, AMM entered into a First Amendment to Employment Agreement with each of Dr. Hosseinion (the "Hosseinion Amendment") and Dr. Vazquez (individually, the "Vazquez Amendment" and, together with the Vazquez Amendment, the "Executive Amendments"). The Executive Amendments amend the Executive Employment Agreements to which they relate and provide (i) for the payment of an incentive bonus in the amount of \$30,000 to Dr. Hosseinion and \$15,000 to Dr. Vazquez, and (ii) that unused paid time off (up to 20 days per year) will be paid in cash.

On March 28, 2014, AMH also entered into substantially similar Hospitalist Participation Service Agreements with each of Dr. Hosseinion (the "Hosseinion Hospitalist Participation Agreement") and Dr. Vazquez (individually, the "Vazquez Hospitalist Participation Agreement" and, together with the Hosseinion Hospitalist Participation Agreement, the "Hospitalist Participation Agreements"), pursuant to which Drs. Hosseinion and Vazquez provide physician services for AMH. Each of the Hospitalist Participation Agreements provides for (i) base salary of \$195,000 per year; (ii) a \$55,000 annual car and communications allowance; and (iii) reimbursement of reasonable business expenses. The Hosseinion Hospitalist Participation Agreement replaced, and thereby terminated, the prior hospitalist participation service agreement between AMH and Dr. Hosseinion, and the Vazquez Hospitalist Participation Agreement replaced, and thereby terminated, the prior hospitalist participation service agreement between AMH and Dr. Vazquez.

As a condition of our causing our affiliates to enter into the Executive Employment Agreements and the Hospitalist Participation Agreements, also on March 28, 2014 we entered into substantially similar stock option agreements with each of Dr. Hosseinion (the "Hosseinion Stock Option Agreement") and Dr. Vazquez (individually, the "Vazquez Stock Option Agreement" and, together with the Hosseinion Stock Option Agreement, the "Executive Stock Option Agreements"). Each Executive Stock Option Agreement provides that Dr. Hosseinion or Dr. Vazquez grant us the option to purchase (at fair market value) all equity interests in the Company held by Dr. Hosseinion or Dr. Vazquez, as the case may be, in the event that (i) their respective Hospitalist Participation Agreement or Executive Employment Agreement is terminated by us for cause due to a willful or intentional breach by Dr. Hosseinion or Dr. Vazquez, as the case may be; (ii) Dr. Hosseinion or Dr. Vazquez commits fraud or any felony against us or any of our affiliates; (iii) Dr. Hosseinion or Dr. Vazquez directly or indirectly solicits any patients, customers, clients, employees, agents or independent contractors of our or any of our affiliates for competitive purposes; or (iv) Dr. Hosseinion or Dr. Vazquez directly or indirectly Competes (as such term is defined in the Executive Stock Option Agreements) with us or any of our affiliates.

On January 15, 2015, we entered into a Consulting and Representation Agreement (the "2015 Augusta Consulting Agreement") with Flacane Advisors, Inc. ("Flacane"), which was effective from January 15, 2015, superseded the prior agreement with Flacane and remained in effect until March 31, 2015 and continued until December 31, 2015 unless was sooner replaced by a new agreement. Under the Augusta Consulting Agreement, Flacane was paid \$25,000 per month and was also eligible to receive options to purchase shares of our common stock as determined by our Board of Directors. Flacane, through the services of Mr. Augusta, provides business and strategic services and made Mr. Augusta available to serve as our Executive Chairman of the Board of Directors.

On January 12, 2016, we entered into a Consulting Agreement with Flacane (the "2016 Augusta Consulting Agreement") to replace the substantially similar 2015 Augusta Consulting that expired by its terms on December 31, 2015. Under the 2016 Augusta Consulting Agreement, Flacane received a signing bonus of \$30,000, is paid \$25,000 per month and is also eligible to receive options to purchase shares of our common stock as determined by our Board of Directors. Flacane, through the services of Mr. Augusta, continue to provide business and strategic services and makes Mr. Augusta available to serve as our Executive Chairman of the Board of Directors.

Effective as of March 7, 2012, Mr. Augusta was first appointed to our Board of Directors. In connection with his service as a director, Mr. Augusta entered into a director agreement, which provides for Mr. Augusta to be a director and entitled Mr. Augusta to acquire 40,000 shares of our common stock at a price of \$0.01 per share. We had the right, but not the obligation, to repurchase those shares, which right lapsed monthly at a rate of 1/36 per month over a three-year period and has now fully lapsed.

See Item 9B, "Other Information", regarding the amended and restated employment agreements we have entered into with each of Drs. Hosseinion and Vazquez.

Lease Agreements

Our corporate headquarters are located at 700 North Brand Boulevard, Suite 1400, Glendale, California 91203. Under the original lease of the premises, we occupied space in Suite 220. On October 14, 2014, our lease was amended by a Second Amendment (the "Second Lease Amendment"), pursuant to which we relocated our corporate headquarters to a larger suite in the same office building in October 2015. The Second Lease Amendment relocates the leased premises from Suite No. 220 to Suite Nos. 1400, 1425 and 1450, which collectively include 16,484 rentable square feet (the "New Premises"). The New Premises were improved with an allowance of \$659,360, provided by the landlord, for construction and installation of equipment for the New Premises. The Second Lease Amendment also extends the term of the lease for approximately six years after we occupy the New Premises and increases our security deposit. The Second Lease Amendment sets the New Premises base rent at \$37,913 per month for the first year and schedules annual increases in base rent each year until the final rental year, which is capped at \$43,957 per month. However, the base rent will be abated by up to \$228,049 subject to other terms of the lease.

AMM leases the SCHC premises located in Los Angeles, California, consisting of 8,766 rentable square feet, for a term of ten years. The base rent for the SCHC lease is \$32,872 per month.

Future minimum rental payments required under the operating leases are as follows :

Year ending March 31,	
2016	\$ 812,000
2017	932,000
2018	949,000
2019	934,000
2020	944,000
Thereafter	1,711,000
Total	\$ 6,282,000

MMG

The DMHC oversees the performance of Risk Bearing Organizations ("RBO") in California. RBO is measured for Tangible Net Equity ("TNE"), Working Capital, Cash to Claims ratio and Claims Timeliness. MMG is an RBO in California and is required to maintain positive TNE. In the fourth quarter of the year ended March 31, 2016, MMG reported negative TNE. MMG submitted a corrective action plan with DMHC. MMG has up to one year to cure the deficiency. Based on our current projections, we believe that MMG will achieve positive TNE by the third quarter of the fiscal year ended March 31, 2017.

Lines of credit

Hendel has a \$100,000 revolving line of credit with MUFG Union Bank, N.A., of which \$88,764 and \$94,764 was outstanding at March 31, 2016 and 2015, respectively. Borrowings under the line of credit bear interest at the prime rate (as defined) plus 4.50% (8.00% and 7.75% per annum at March 31, 2016 and 2015, respectively), interest only is payable monthly, and the line of credit matures March 31, 2017. The line of credit is unsecured.

LALC has a line of credit of \$230,000 with JPMorgan Chase Bank, N.A. Borrowing under the line of credit bears interest at a rate of 5% and is auto-renewed on an annual basis. We have not borrowed any amount under this line of credit as of March 31, 2016 and 2015. The line of credit is unsecured.

BAHA has a line of credit of \$150,000 with First Republic Bank. Borrowings under the line of credit bear interest at the prime rate (as defined) plus 3.0% (6.5% and 6.25% per annum at March 31, 2016 and 2015, respectively). We have a balance of \$100,000 and \$0 as of March 31, 2016 and 2015, respectively. The line of credit is unsecured.

Intercompany Loans

Each of AMH, ACC, MMG, AKM and SCHC has entered into an Intercompany Loan Agreement with AMM under which AMM has agreed to provide a revolving loan commitment to each of the affiliated entities in an amount set forth in each Intercompany Loan Agreement. Each Intercompany Loan Agreement provides that AMM's obligation to make any advances automatically terminates concurrently with the termination of the Management Agreement with the applicable affiliated entity. In addition, each Intercompany Loan Agreement provides that (i) any material breach by Dr. Hosseini on of the applicable Physician Shareholder Agreement or (ii) the termination of the Management Agreement with the applicable affiliated entity constitutes an event of default under the Intercompany Loan Agreement. The following tables summarize the various intercompany loan agreements for the year ended March 31, 2016 and 2015:

Entity	Facility	Expiration	Interest Rate per Annum	Year Ended March 31, 2016				
				Maximum Balance During Period		Principal Paid During Period		Interest Paid During Period
				Ending Balance	Paid During Period	Principal Paid During Period	Interest Paid During Period	
AMH	\$ 10,000,000	30-Sep-18	10%	\$ 2,240,452	\$ 2,179,721	\$ -	\$ -	
ACC	1,000,000	31-Jul-18	10%	1,318,874	1,277,843	-	-	
MMG	2,000,000	1-Feb-18	10%	1,586,123	1,586,123	-	-	
AKM	5,000,000	30-May-19	10%	146,280	-	146,280	-	
SCHC	5,000,000	21-Jul-19	10%	3,231,880	2,852,510	56,287	-	
Total	\$ 23,000,000			\$ 8,523,609	\$ 7,896,197	\$ 202,567	\$ -	

Entity	Facility	Expiration	Interest Rate per Annum	Year Ended March 31, 2015				
				Maximum Balance During Period		Principal Paid During Period		Interest Paid During Period
				Ending Balance	Paid During Period	Principal Paid During Period	Interest Paid During Period	
AMH	\$ 10,000,000	30-Sep-18	10%	\$ 1,681,735	\$ 1,681,735	\$ -	\$ -	
ACC	1,000,000	31-Jul-18	10%	1,156,966	1,156,966	-	-	
MMG	1,000,000	1-Feb-18	10%	700,151	700,151	-	-	
AKM	5,000,000	30-May-19	10%	126,729	126,729	-	-	
SCHC	5,000,000	21-Jul-19	10%	3,175,593	3,175,593	-	-	
Total	\$ 26,000,000			\$ 6,841,174	\$ 6,841,174	\$ -	\$ -	

Critical Accounting Policies

Some of our accounting policies require the application of judgment by management in selecting appropriate assumptions for calculating financial estimates, which inherently contain some degree of uncertainty. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. The historical experience and assumptions form the basis for making judgments about the reported carrying values of assets and liabilities and the reported amounts of revenue and expenses that may not be readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following are critical accounting policies and related judgments and estimates used in the preparation of our consolidated financial statements.

Our consolidated financial statements include the accounts of (1) Apollo Medical Holdings, Inc. and its wholly owned subsidiaries AMM, PCCM, and VMM, (2) our controlling interest in ApolloMed ACO, and APS which provides home health and hospice medical services and owns BCHC and HCHHA and (3) physician practice corporations ("PPCs") managed under long-term management service agreements including AMH, MMG, ACC, LALC, Hendel, SCHC and BAHA. Some states have laws that prohibit business entities, such as ApolloMed, from practicing medicine, employing physicians to practice medicine, exercising control over medical decisions by physicians (collectively known as the corporate practice of medicine), or engaging in certain arrangements with physicians, such as fee-splitting. In California, we operate by maintaining long-term management service agreements with the PPCs, which are each owned and operated by physicians, and which employ or contract with additional physicians to provide hospitalist services. Under the management agreements, we provide and perform all non-medical management and administrative services, including financial management, information systems, marketing, risk management and administrative support. Each management agreement typically has a term from 10 to 20 years unless terminated by either party for cause. The management agreements are not terminable by the PPCs, except in the case of material breach or bankruptcy of the respective PPM.

Through the management agreements and our relationship with the stockholders of the PPCs, we have exclusive authority over all non-medical decision making related to the ongoing business operations of the PPCs. Consequently, we consolidate the revenue and expenses of each PPC from the date of execution of the applicable management agreement.

All intercompany balances and transactions have been eliminated in consolidation.

Business Combinations

We use the acquisition method of accounting for all business combinations, which requires assets and liabilities of the acquiree to be recorded at fair value (with limited exceptions), to measure the fair value of the consideration transferred, including contingent consideration, to be determined on the acquisition date, and to account for acquisition related costs separately from the business combination.

Reportable Segments

We operate as one reportable segment, the healthcare delivery segment, and implement and operate innovative health care models to create a patient-centered, physician-centric experience. We report our consolidated financial statements in the aggregate, including all activities in one reportable segment. Our business and operations are concentrated in one state, California. Any material changes by California with respect to strategy, taxation and economics of healthcare delivery, reimbursements, financial requirements or other aspects of regulation of the healthcare industry could have an adverse effect on our operations and cost of doing business.

Revenue Recognition

Revenue consists of primarily contracted, fee-for-service and capitation revenue. Revenue is recorded in the period in which services are rendered. Revenue is derived from the provision of healthcare services to patients within healthcare facilities, medical management and care coordination of network physicians and patients. The form of billing and related risk of collection for such services may vary by customer. The following is a summary of the principal forms of our billing arrangements and how net revenue is recognized for each.

Contracted revenue

Contracted revenue represents revenue generated under contracts for which we provide physician and other healthcare staffing and administrative services in return for a contractually negotiated fee. Contract revenue consists primarily of billings based on hours of healthcare staffing, provided at agreed-to hourly rates. Revenue in such cases is recognized as the hours are worked by our staff and contractors. Additionally, contract revenue also includes supplemental revenue from hospitals where we may have a fee-for-service contract arrangement or provide physician advisory services to the medical staff at a specific facility. Contract revenue for the supplemental billing in such cases is recognized based on the terms of each individual contract. Such contract terms generally either provides for a fixed monthly dollar amount or a variable amount based upon measurable monthly activity, such as hours staffed, patient visits or collections per visit compared to a minimum activity threshold. Such supplemental revenues based on variable arrangements are usually contractually fixed on a monthly, quarterly or annual calculation basis considering the variable factors negotiated in each such arrangement. Such supplemental revenues are recognized as revenue in the period when such amounts are determined to be fixed and therefore contractually obligated as payable by the customer under the terms of the respective agreement. Additionally, we derive a portion of our revenue as a contractual bonus from collections received by our partners and such revenue is contingent upon the collection of third-party billings. These revenues are not considered earned and therefore not recognized as revenue until actual cash collections are achieved in accordance with the contractual arrangements for such services.

Fee-for-service revenue

Fee-for-service revenue represents revenue earned under contracts in which we bill and collect the professional component of charges for medical services rendered by our contracted physicians. Under the fee-for-service arrangements, we bill patients for services provided and receive payment from patients or their third-party payors. Fee-for-service revenue is reported net of contractual allowances and policy discounts. All services provided are expected to result in cash flows and are therefore reflected as net revenue in the financial statements. Fee-for-service revenue is recognized in the period in which the services are rendered to specific patients and reduced immediately for the estimated impact of contractual allowances in the case of those patients having third-party payor coverage. The recognition of net revenue (gross charges less contractual allowances) from such visits is dependent on such factors as proper completion of medical charts following a patient visit, the forwarding of such charts to our billing center for medical coding and entering into our billing system and the verification of each patient's submission or representation at the time services are rendered as to the payor(s) responsible for payment of such services. Revenue is recorded based on the information known at the time of entering of such information into our billing systems as well as an estimate of the revenue associated with medical services.

Capitation revenue

Capitation revenue (net of capitation withheld to fund risk share deficits) is recognized in the month in which we are obligated to provide services. Minor ongoing adjustments to prior months' capitation, primarily arising from contracted health maintenance organizations (each, an "HMO") finalizing of monthly patient eligibility data for additions or subtractions of enrollees, are recognized in the month they are communicated to us. Managed care revenues consist primarily of capitated fees for medical services provided by us under a provider service agreement ("PSA") or capitated arrangements directly made with various managed care providers including HMO's and management service organizations ("MSOs"). Capitation revenue under the PSA and HMO contracts is prepaid monthly to us based on the number of enrollees electing us as their healthcare provider. Additionally, Medicare pays capitation using a "Risk Adjustment model," which compensates managed care organizations and providers based on the health status (acuity) of each individual enrollee. Health plans and providers with higher acuity enrollees will receive more and those with lower acuity enrollees will receive less. Under Risk Adjustment, capitation is determined based on health severity, measured using patient encounter data. Capitation is paid on an interim basis based on data submitted for the enrollee for the preceding year and is adjusted in subsequent periods after the final data is compiled. Positive or negative capitation adjustments are made for Medicare enrollees with conditions requiring more or less healthcare services than assumed in the interim payments. Since we cannot reliably predict these adjustments, periodic changes in capitation amounts earned as a result of Risk Adjustment are recognized when those changes are communicated by the health plans to us.

HMO contracts also include provisions to share in the risk for enrollee hospitalization, whereby we can earn additional incentive revenue or incur penalties based upon the utilization of hospital services. Typically, any shared risk deficits are not payable until and unless we generate future risk sharing surpluses, or if the HMO withholds a portion of the capitation revenue to fund any risk share deficits. At the termination of the HMO contract, any accumulated risk share deficit is typically extinguished. Due to the lack of access to information necessary to estimate the related costs, shared-risk amounts receivable from the HMOs are only recorded when such amounts are known. Risk pools for the prior contract years are generally settled in the third or fourth quarter of the following fiscal year.

In addition to risk-sharing revenues, we also receive incentives under "pay-for-performance" programs for quality medical care, based on various criteria. These incentives, which are included in other revenues, are generally recorded in the third and fourth quarters of the fiscal year and are recorded when such amounts are known.

Under full risk capitation contracts, an affiliated hospital enters into agreements with several HMOs, pursuant to which, the affiliated hospital provides hospital, medical, and other healthcare services to enrollees under a fixed capitation arrangement ("Capitation Arrangement"). Under the risk pool sharing agreement, the affiliated hospital and medical group agree to establish a Hospital Control Program to serve the enrollees, pursuant to which, the medical group is allocated a percentage of the profit or loss, after deductions for costs to affiliated hospitals. We participate in full risk programs under the terms of the PSA, with health plans whereby we are wholly liable for the deficits allocated to the medical group under the arrangement.

Medicare Shared Savings Program Revenue

Through our subsidiary ApolloMed ACO, we participate in the MSSP, ACO program administered by CMS. The goal of the MSSP is to improve the quality of patient care and outcome through more efficient and coordinated approach among providers. The MSSP allows ACO participants to share in cost savings it generates in connection with rendering medical services to Medicare patients. Payments to ACO participants, if any, will be calculated annually by CMS on cost savings generated by the ACO participant relative to the ACO participants' benchmark. The MSSP is a relatively new program managed by CMS that has an evolving payment methodology. Revenues earned by ApolloMed ACO are uncertain, and, if such amounts are payable by the CMS, they will be paid on an annual basis significantly after the time earned, and will be contingent on various factors, including achievement of the minimum savings rate as determined by MSSP for the relevant period. Such payments are earned and made on an "all or nothing" basis. We consider revenue, if any, under the MSSP, as contingent upon the realization of program savings as determined by CMS, and are not considered earned and therefore are not recognized as revenue until notice from CMS that cash payments are to be imminently received. Although ApolloMed ACO beat its total benchmark expenditures for 2014, generating \$3.9 million in total savings and achieving an ACO Quality Score of 90.4% on its Quality Performance Report, CMS has determined that ApolloMed ACO did not meet the minimum savings threshold and therefore we did not receive any incentive payment in fiscal year 2016 and calendar 2015.

Goodwill and Intangible Assets

Under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, *Intangibles – Goodwill and Other* ("ASC 350"), goodwill and indefinite-lived intangible assets are reviewed at least annually for impairment. Acquired intangible assets with definite lives are amortized over their individual useful lives.

At least annually, at our fiscal year end, management assesses whether there has been any impairment in the value of goodwill by first comparing the fair value to the net carrying value of the reporting unit. If the carrying value exceeds its estimated fair value, a second step is performed to compute the amount of the impairment. An impairment loss is recognized if the implied fair value of the asset being tested is less than its carrying value. In this event, the asset is written down accordingly. The fair values of goodwill are determined using valuation techniques based on estimates, judgments and assumptions management believes are appropriate in the circumstances.

At least annually, indefinite-lived intangible assets are tested for impairment. Impairment for intangible assets with indefinite lives exists if the carrying value of the intangible asset exceeds its fair value. The fair values of indefinite-lived intangible assets are determined using valuation techniques based on estimates, judgments and assumptions management believes are appropriate in the circumstances.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable primarily consists of amounts due from third-party payors, including government sponsored Medicare and Medicaid programs, insurance companies, and amounts due from hospitals and patients. Accounts receivable are recorded and stated at the amount expected to be collected.

We maintain reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. We also regularly analyses the ultimate collectability of accounts receivable after certain stages of the collection cycle using a look-back analysis to determine the amount of receivables subsequently collected and adjustments are recorded when necessary. Reserves are recorded primarily on a specific identification basis.

Medical Liabilities

We are responsible for integrated care that the associated physicians and contracted hospitals provide to our enrollees under risk-pool arrangements. We provide integrated care to health plan enrollees through a network of contracted providers under sub-capitation and direct patient service arrangements, company-operated clinics and staff physicians. Medical costs for professional and institutional services rendered by contracted providers are recorded as cost of services in the accompanying consolidated statements of operations. Costs for operating medical clinics, including the salaries of medical personnel, are also recorded in cost of services, while non-medical personnel and support costs are included in general and administrative expense.

An estimate of amounts due to contracted physicians, hospitals, and other professional providers is included in medical liabilities in the accompanying consolidated balance sheets. Medical liabilities include claims reported as of the balance sheet date and estimates of incurred but not reported claims ("IBNR"). Such estimates are developed using actuarial methods and are based on many variables, including the utilization of health care services, historical payment patterns, cost trends, product mix, seasonality, changes in membership, and other factors. The estimation methods and the resulting reserves are periodically reviewed and updated. Many of the medical contracts are complex in nature and may be subject to differing interpretations regarding amounts due for the provision of various services. Such differing interpretations may not come to light until a substantial period of time has passed following the contract implementation. We have a \$20,000 per member professional stop-loss and \$200,000 per member stop-loss for Medi-Cal patients in institutional risk pools. Any adjustments to reserves are reflected in current operations.

Non-controlling Interests

The non-controlling interests recorded in our consolidated financial statements includes the pre-acquisition equity of those PPC's in which we have determined that it has a controlling financial interest and for which consolidation is required as a result of management contracts entered into with these entities owned by third-party physicians. The nature of these contracts provide us with a monthly management fee to provide the services described above, and as such, the adjustments to non-controlling interests in any period subsequent to initial consolidation would relate to either capital contributions or distributions by the non-controlling parties as well as income or losses attributable to certain non-controlling interests. Non-controlling interests also represent third-party minority equity ownership interests which are majority owned by us.

During the year ended March 31, 2016, we entered an agreement with a shareholder of APS which is one of our majority owned subsidiaries. In connection with the agreement, the former shareholder received approximately \$400,000, of which approximately \$252,000 was paid by us and the remaining amount of approximately \$148,000 was paid by another shareholder of APS, in exchange for his interest in such subsidiary, resulting in an increase in our ownership interest in APS from 51% to 56%.

Recently Issued Accounting Pronouncements

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. This update is effective for interim and annual reporting periods beginning after December 15, 2015 and requires retrospective application for all periods presented. Early adoption is permitted. The Company will adopt this standard in the interim period beginning on April 1, 2016.

In November 2015, the FASB issued Accounting Standards Update ("ASU") 2015-17, Income Taxes (ASU Topic 740): Balance Sheet Classification of Deferred Taxes. This amendment simplifies the presentation of deferred tax assets and liabilities on the balance sheet and requires all deferred tax assets and liabilities to be treated as non-current. ASU 2015-17 is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2016, with early adoption permitted. The Company has adopted ASU 2015-17 with retrospective effect to all periods presented and the adoption did not have any impact on fiscal 2015.

In February 2016, the FASB issued ASU 2016-02, Leases. This new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of the adoption of ASU 2016-02 on the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" (ASU 2016-09). This ASU makes several modifications to Topic 718 related to the accounting for forfeitures, employer tax withholding on share-based compensation, and the financial statement presentation of excess tax benefits or deficiencies. ASU 2016-09 also clarifies the statement of cash flows presentation for certain components of share-based awards. The standard is effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted. The Company expects to adopt this guidance when effective and is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements – Going Concern (Topic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"). This amendment prescribes that an entity should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. The amendments will become effective for the Company's annual and interim reporting periods beginning April 1, 2017. The Company will begin evaluating going concern disclosures based on this guidance upon adoption.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Topic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). ASU 2016-01 addresses certain aspects of recognition, measurement, presentation and disclosures of financial instruments including the requirement to measure certain equity investments at fair value with changes in fair value recognized in net income. ASU 2016-01 will become effective for the Company beginning interim period April 1, 2018. The Company is currently evaluating the guidance to determine the potential impact on its financial condition, results of operations, cash flows and financial statement disclosures.

The FASB issued the following accounting standard updates related to Topic 606, Revenue Contracts with Customers:

- ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09") in May 2014. ASU 2014-09 requires entities to recognize revenue through the application of a five-step model, which includes identification of the contract, identification of the performance obligations, determination of the transaction price, allocation of the transaction price to the performance obligations and recognition of revenue as the entity satisfies the performance obligations.
- ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ("ASU 2016-08") in March 2016. ASU 2016-08 does not change the core principle of revenue recognition in Topic 606 but clarifies the implementation guidance on principal versus agent considerations.
- ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing ("ASU 2016-10") in April 2016. ASU 2016-10 does not change the core principle of revenue recognition in Topic 606 but clarifies the implementation guidance on identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas.
- ASU No. 2016-11, Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting (SEC Update) ("ASU 2016-11") in May 2016. ASU 2016-11 rescinds SEC paragraphs pursuant to two SEC Staff Announcements at the March 3, 2016 EITF meeting. The SEC Staff is rescinding SEC Staff Observer comments that are codified in Topic 605 and Topic 932, effective upon adoption of Topic 606.
- ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients in May 2016. ASU 2016-12 does not change the core principle of revenue recognition in Topic 606 but clarifies the implementation guidance on a few narrow areas and adds some practical expedients to the guidance.

These ASUs will become effective for the Company beginning interim period April 1, 2018. The Company is currently evaluating the impact of ASC 606, but at the current time does not know what impact the new standard will have on revenue recognized and other accounting decisions in future periods, if any, nor what method of adoption will be selected if the impact is material.

Off Balance Sheet Arrangements

As of March 31, 2016, we had no off-balance sheet arrangements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements for the fiscal year ended March 31, 2015 are included in this annual report, beginning on page F-1.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at March 31, 2016, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective, at a reasonable assurance level, in ensuring that information required to be disclosed in the reports we file and submit under the Exchange Act are recorded, processed, summarized and reported as and when required. For a discussion of the reasons on which this conclusion was based, see "Management's Report on Internal Control over Financial Reporting" below.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act. Management must evaluate its internal controls over financial reporting, as required by Sarbanes-Oxley Act. Our internal control over financial reporting is a process designed under the supervision of management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. generally accepted accounting principles ("GAAP"). Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") (1992) and SEC guidance on conducting such assessments. Based on this evaluation, our management concluded that there were material weaknesses in our internal control over financial reporting as of March 31, 2016.

A material weakness is a significant control deficiency or combination of significant control deficiencies that result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management has identified the following three material weaknesses in our disclosure controls and procedures, and internal controls over financial reporting:

1. We do not have written documentation of our internal control policies and procedures. Written documentation of key internal controls over financial reporting is a requirement of Section 404 of the Sarbanes-Oxley Act. Management evaluated the impact of our failure to have written documentation of our internal controls and procedures on our assessment of our disclosure controls and procedures, and concluded that the control deficiency that resulted represented a material weakness.
2. We do not have sufficient segregation of duties within accounting functions, which is a basic internal control. Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, the initiation of transactions, the custody of assets and the recording of transactions should be performed by separate individuals. Management evaluated the impact of our failure to have segregation of duties on our assessment of our disclosure controls and procedures, and concluded that the control deficiency that resulted represented a material weakness.
3. We do not have adequate review and supervision procedures for financial reporting functions. The review and supervision function of internal control relates to the accuracy of financial information reported. The failure to adequately review and supervise could allow the reporting of inaccurate or incomplete financial information. Due to our size and nature, review and supervision may not always be possible or economically feasible.

Based on the foregoing material weaknesses, we have determined that, as of March 31, 2016, our internal controls over our financial reporting are not effective. We are continuing to review and consider what remediation steps need to be taken to address each material weakness but we have not yet introduced a comprehensive remediation program to address these weaknesses. However, we continue to add qualified employees and consultants and we have started the written documentation of our internal control policies and procedures. We have also begun to broaden the scope of our accounting and billing capabilities and we intend to realign responsibilities in our financial and accounting review functions.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable and not absolute assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of certain events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting, and we are not required to provide such a report, since we are a "smaller reporting company" as that term is defined in the rules and regulations promulgated by the SEC.

Changes in Internal Controls over Financial Reporting

There has been no change in our internal controls over financial reporting during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On June 27, 2016, the Board of Directors appointed Warren Hosseinion as our interim Chief Financial Officer while we finalize arrangements to employ a permanent Chief Financial Officer. Management hopes to be able to complete this within the next few weeks.

On June 28, 2016, NNA and we entered into the Third Amendment (the "Third Amendment") to the Registration Rights Agreement dated May 28, 2014, as amended by the First Amendment and Acknowledgement dated as of February 6, 2015, the Second Amendment and Conversion Agreement dated as of November 17, 2015, and the amendments thereto (collectively, the "Registration Agreement"). Pursuant to the Third Amendment, we have until April 28, 2017 to register NNA's registrable securities on a registration statement filed with the SEC and we have until the earlier of (i) October 27, 2017 or (ii) the 5th trading day after the date we are notified by the SEC that such registration statement will not be reviewed or will not be subject to further review to have such registration statement declared effective by the SEC. All other provisions of the Registration Agreement remain in full force and effect, including paying NNA liquidated damages of 1.5% of the total purchase price of the registrable securities owned by NNA, payable in shares of our common stock, if we do not comply with these deadlines.

We entered into restated and amended employment agreements dated as of June 29, 2016 with each of Warren Hosseinion, M.D. and Adrian Vazquez, M.D., our Chief Executive Officer and Chief Medical Officer, respectively. Each of Drs. Hosseinion and Vazquez had previously entered into employment agreements with each of AMM and AMH on March 28, 2014, and each of them had entered into an amendment to their respective employment agreements with AMM on January 12, 2016, the terms of which are summarized under "Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources". The purpose of the amended and restated employment agreements is to align payment and benefit provisions, and make other technical changes, to the employment agreements that were previously in effect.

Under the amended and restated employment agreements with AMM, each of Drs. Hosseinion and Vazquez will be paid a base salary of \$450,000, which is the same base salary as had previously been provided under their respective agreements with AMM and AMH, including a certain guaranteed expense reimbursement under the AMH agreements. Conversely, there is no base salary provided under the amended and restated employment agreements with AMH and the certain guaranteed expense reimbursement has been eliminated from the AMH agreements. In the amended and restated AMH agreements, the base salary provision has been replaced with an hourly rate if and to the extent that Drs. Hosseinion and Vazquez provide physician services, which is not guaranteed.

All other benefits that were previously contained in the AMH agreements have been moved to the amended and restated agreements with AMM.

The calculation of severance payment in the event of a termination without Cause (as defined in the amended and restated agreements with AMM) has been changed. Under the amended and restated agreements with AMM, each of Drs. Hosseinion and Vazquez will continue to be paid severance in the amount of four weeks' pay of their most recent base salary for each year they are employed. However, in the amended and restated employment agreements the definition of base salary has been changed to include aggregate base salary paid from AMM and all its entities, to reflect that Dr. Hosseinion's and Vazquez's services are, in some cases, shared among more than one of our affiliates but provide a common benefit to our company. Additionally, each of Drs. Hosseinion and Vazquez will receive year-of-service credit for the longest period of time they have been employed by any of our affiliates, to reflect that, as co-founders of our company, Drs. Hosseinion and Vazquez have provided continuous service since our founding notwithstanding the fact that we have reorganized the company to create AMM more recently than our founding.

Certain other technical changes have been made to the amended and restated employment agreements. All other material provisions of the original AMH agreements and the original AMM agreements, as amended, remain as they were in those agreements.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item will be contained in the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days following the end of the Company's fiscal year ended March 31, 2016, which information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item will be contained in the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days following the end of the Company's fiscal year ended March 31, 2016, which information is incorporated herein by reference

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Certain information required by this Item will be contained in the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days following the end of the Company's fiscal year ended March 31, 2016, which information is incorporated herein by reference. The other information required by this Item appears in this report under "Item 5 — Market for Company's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities," which is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this Item will be contained in the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days following the end of the Company's fiscal year ended March 31, 2016, which information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this Item will be contained in the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days following the end of the Company's fiscal year ended March 31, 2016, which information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) *Documents filed as part of this report:*

1. Financial Statements

The consolidated financial statements contained herein are as listed on the "Index to Consolidated Financial Statements" on page F-1 of this report.

2. Financial Statement Schedule

None

3. Exhibits

See Exhibit Index.

(b) *Exhibits:*

The following exhibits are attached hereto and incorporated herein by reference.

Exhibit No.	Description
2.1	Stock Purchase Agreement dated July 21, 2014 by and between SCHC Acquisition, A Medical Corporation, the Shareholders of Southern California Heart Centers, A Medical Corporation and Southern California Heart Centers, A Medical Corporation (filed as an exhibit to a Quarterly Report on Form 10-Q on August 14, 2014).
3.1	Restated Certificate of Incorporation (filed as an exhibit to a Current Report on Form 8-K on January 21, 2015).
3.2	Certificate of Amendment to Restated Certificate of Incorporation (filed as an exhibit to a Current Report on Form 8-K on April 27, 2015).
3.3	Certificate of Designation of Series A Convertible Preferred Stock (filed as an exhibit to a Current Report on Form 8-K on October 19, 2015)
3.4	Amended and Restated Certificate of Designation of Apollo Medical Holdings, Inc. (filed as an exhibit to a Current Report on Form 8-K on April 4, 2016)
3.5	Restated Bylaws (filed as an exhibit to a Quarterly Report on Form 10-Q on November 16, 2015).
4.1	Form of Investor Warrant, dated October 16, 2009, for the purchase of 2,500 shares of common stock (filed as an exhibit to an Annual Report on Form 10-K/A on March 28, 2012).
4.2	Form of Investor Warrant, dated October 29, 2012, for the purchase of common stock (filed as an exhibit to a Quarterly Report on Form 10-Q on December 17, 2012).
4.3	Form of Amendment to October 16, 2009 Warrant to Purchase Shares of Common Stock, dated October 29, 2012 (filed as an exhibit to a Quarterly Report on Form 10-Q on December 17, 2012).
4.4	Form of 9% Senior Subordinated Callable Convertible Note, dated January 31, 2013 (filed as an exhibit to an Annual Report on Form 10-K on May 1, 2013).
4.5	Form of Investor Warrant for purchase of 3,750 shares of common stock, dated January 31, 2013 (filed as an exhibit to an Annual Report on Form 10-K on May 1, 2013).
4.6	Convertible Note, issued by Apollo Medical Holdings, Inc. to NNA of Nevada, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).
4.7	Common Stock Purchase Warrant to purchase 100,000 shares, issued by Apollo Medical Holdings, Inc. to NNA of Nevada, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).
4.8	Common Stock Purchase Warrant to purchase 200,000 shares, issued by Apollo Medical Holdings, Inc. to NNA of Nevada, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).

4.9 Common Stock Purchase Warrant to purchase 100,000 shares, issued by Apollo Medical Holdings, Inc. to NNA of Nevada, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).

4.10 Common Stock Purchase Warrant to purchase 100,000 shares, issued by Apollo Medical Holdings, Inc. to NNA of Nevada, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).

4.11 Common Stock Purchase Warrant dated October 14, 2015, issued by Apollo Medical Holdings, Inc. to Network Medical Management, Inc. to purchase 1,111,111 shares of common stock (filed as an exhibit to a Current Report on Form 8-K on April 4, 2016).

4.12 Common Stock Purchase Warrant dated March 30, 2016, issued by Apollo Medical Holdings, Inc. to Network Medical Management, Inc. to purchase 555,555 shares of common stock (filed as an exhibit to a Current Report on Form 8-K on April 4, 2016).

10.1 Agreement and Plan of Merger among Siclone Industries, Inc. and Apollo Acquisition Co., Inc. and Apollo Medical Management, Inc. (filed as an exhibit to a Current Report on Form 8-K on June 19, 2008).

10.2 2010 Equity Incentive Plan (filed as Appendix A to Schedule 14C Information Statement filed on August 17, 2010).

10.3 Board of Directors Agreement dated March 22, 2012, by and between Apollo Medical Holdings, Inc. and Suresh Nihalani (filed as an exhibit to an Annual Report on Form 10-K/A on March 28, 2012).

10.4 2013 Equity Incentive Plan of Apollo Medical Holdings, Inc. dated April 30, 2013 (filed as an exhibit to an Annual Report on Form 10-K on May 8, 2014).

10.5 Board of Directors Agreement dated May 22, 2013 by and between Apollo Medical Holdings, Inc., and David Schmidt (filed as an exhibit to an Annual Report on Form 10-K on May 8, 2014).

10.6 Board of Directors Agreement dated October 17, 2012 by and between Apollo Medical Holdings, Inc., and Mark Meyers (filed as an exhibit to an Annual Report on Form 10-K on May 8, 2014).

10.7 Intercompany Revolving Loan Agreement, dated February 1, 2013, by and between Apollo Medical Management, Inc. and Maverick Medical Group, Inc. (filed as an exhibit to a Quarterly Report on Form 10-Q on June 14, 2013).

10.8 Intercompany Revolving Loan Agreement, dated July 31, 2013 by and between Apollo Medical Management, Inc. and ApolloMed Care Clinic (filed as an exhibit to a Quarterly Report on Form 10-Q on September 16, 2013).

10.9+ Consulting and Representation Agreement between Flacane Advisors, Inc. and Apollo Medical Holdings, Inc., dated January 15, 2015 (filed as an exhibit to a Current Report on Form 8-K on January 21, 2015).

10.10 Intercompany Revolving Loan Agreement dated as of September 30, 2013, between Apollo Medical Management, Inc. and ApolloMed Hospitalists, a Medical Corporation (filed as an exhibit to a Quarterly Report on Form 10-Q on December 20, 2013).

10.11 Form of Settlement Agreement and Release, between Apollo Medical Holdings, Inc. and each of the Holders listed on Exhibit A to the First Amendment, effective December 20, 2013 (filed as an exhibit to a Current Report on Form 8-K on December 24, 2013).

10.12 Credit Agreement, between Apollo Medical Holdings, Inc. and NNA of Nevada, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).

10.13 Investment Agreement, between Apollo Medical Holdings, Inc. and NNA of Nevada, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).

10.14 Collateral Assignment of Physician Shareholder Agreement and Management Agreement, between Apollo Medical Holdings, Inc., Apollo Medical Management, Inc., and NNA of Nevada, Inc., dated March 28, 2014 (acknowledged by ApolloMed Care Clinic, and Warren Hosseinion, M.D.) (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).

10.15 Collateral Assignment of Physician Shareholder Agreement and Management Agreement, between Apollo Medical Holdings, Inc., Apollo Medical Management, Inc., and NNA of Nevada, Inc., dated March 28, 2014 (acknowledged by Maverick Medical Group Inc. and Warren Hosseinion, M.D.) (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).

10.16 Collateral Assignment of Physician Shareholder Agreement and Management Agreement, between Apollo Medical Holdings, Inc., Apollo Medical Management, Inc., and NNA of Nevada, Inc., dated March 28, 2014 (acknowledged by ApolloMed Hospitalists and Warren Hosseinion, M.D.) (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).

10.17	Shareholders Agreement, between Apollo Medical Holdings, Inc., Warren Hosseinion, M.D., Adrian Vazquez, M.D., and NNA of Nevada, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).
10.18	Registration Rights Agreement, between Apollo Medical Holdings, Inc. and NNA of Nevada, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).
10.19+	Employment Agreement, between Apollo Medical Management, Inc. and Warren Hosseinion, M.D., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).
10.20+	Employment Agreement, between Apollo Medical Management, Inc. and Adrian Vazquez, M.D., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).
10.21+	Hospitalist Participation Service Agreement, between ApolloMed Hospitalists and Warren Hosseinion, M.D., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).
10.22+	Hospitalist Participation Service Agreement, between ApolloMed Hospitalists and Adrian Vazquez, M.D., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).
10.23+	Stock Option Agreement, between Warren Hosseinion, M.D. and Apollo Medical Holdings, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).
10.24+	Stock Option Agreement, between Adrian Vazquez, M.D. and Apollo Medical Holdings, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).
10.25	Amended and Restated Management Services Agreement, between Apollo Medical Management, Inc. and ApolloMed Care Clinic, dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).
10.26	Amended and Restated Management Services Agreement, between Apollo Medical Management, Inc. and Maverick Medical Group Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).
10.27	Amended and Restated Management Services Agreement, between Apollo Medical Management, Inc. and ApolloMed Hospitalists, dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).
10.28	Physician Shareholder Agreement, granted and delivered by Warren Hosseinion, M.D., in favor of Apollo Medical Management, Inc. and Apollo Medical Holdings, Inc., for the account of ApolloMed Care Clinic, dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).
10.29	Physician Shareholder Agreement, granted and delivered by Warren Hosseinion, M.D., in favor of Apollo Medical Management, Inc. and Apollo Medical Holdings, Inc., for the account of Maverick Medical Group, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).
10.30	Physician Shareholder Agreement, granted and delivered by Warren Hosseinion, M.D., in favor of Apollo Medical Management, Inc. and Apollo Medical Holdings, Inc., for the account of ApolloMed Hospitalists, dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).
10.31	Amendment No. 1 to Intercompany Revolving Loan Agreement, between Apollo Medical Management, Inc. and ApolloMed Care Clinic, dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).
10.32	Amendment No. 1 to Intercompany Revolving Loan Agreement, between Apollo Medical Management, Inc. and Maverick Medical Group Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).
10.33	Amendment No. 1 to Intercompany Revolving Loan Agreement, between Apollo Medical Management, Inc. and ApolloMed Hospitalists, dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).
10.34+	Board of Directors Agreement dated March 7, 2012 by and between Apollo Medical Holdings, Inc., and Gary Augusta (filed as an exhibit to an Annual Report on Form 10-K on May 8, 2014).
10.35+	Board of Directors Agreement dated February 15, 2012 by and between Apollo Medical Holdings, Inc., and Ted Schreck (filed as an exhibit to an Annual Report on Form 10-K on May 8, 2014).
10.36+	Board of Directors Agreement dated October 22, 2012 by and between Apollo Medical Holdings, Inc., and Mitchell R. Creem (filed as an exhibit to an Annual Report on Form 10-K on May 8, 2014).
10.37+	Consulting Agreement as of May 20, 2014 by and among Apollo Medical Holdings, Inc. and Bridgewater Healthcare Group, LLC (filed as an exhibit to a Current Report on Form 8-K/A on July 3, 2014).

10.38+ Board of Directors Agreement dated May 22, 2013 by and between Apollo Medical Holdings, Inc., and Warren Hosseinion, M.D. (filed as an exhibit to a Current Report on Form 8-K on September 16, 2014).

10.39 Contribution Agreement, dated as of October 27, 2014, by and between Dr. Sandeep Kapoor, M.D, Marine Metspakyany and Apollo Palliative Services LLC (filed as an exhibit to a Current Report on Form 8-K on October 31, 2014).

10.40 Contribution Agreement, dated as of October 27, 2014, by and between Rob Mikitarian and Apollo Palliative Services LLC (filed as an exhibit to a Current Report on Form 8-K on October 31, 2014).

10.41 Membership Interest Purchase Agreement, entered into as of October 27, 2014, by and among Apollo Palliative Services LLC, Apollo Medical Holdings, Inc., Dr. Sandeep Kapoor, M.D., Marine Metspakyany and Best Choice Hospice Care, LLC (filed as an exhibit to a Current Report on Form 8-K on October 31, 2014).

10.42 Stock Purchase Agreement entered into as of October 27, 2014, by and among Apollo Palliative Services LLC, Rob Mikitarian and Holistic Care Home Health Agency, Inc. (filed as an exhibit to a Current Report on Form 8-K on October 31, 2014).

10.43 Second Amendment to Lease Agreement dated October 14, 2014 by and among Apollo Medical Holdings, Inc. and EOP-700 North Brand, LLC (filed as an exhibit on Quarterly Report on Form 10-Q on November 14, 2014).

10.44 Lease Agreement, dated July 22, 2014, by and between Numen, LLC and Apollo Medical Management, Inc. (filed as an exhibit to a Current Report on Form 8-K/A on December 8, 2014).

10.45 First Amendment and Acknowledgement, dated as of February 6, 2015, among Apollo Medical Holdings, Inc., NNA of Nevada, Inc., Warren Hosseinion, M.D. and Adrian Vazquez, M.D. (filed as an exhibit to a Current Report on Form 8-K on February 10, 2015).

10.46+ Board of Directors Agreement dated April 9, 2015 by and between Apollo Medical Holdings, Inc., and Lance Jon Kimmel (filed as an exhibit to a Current Report on Form 8-K on April 13, 2015).

10.47 Amendment to the First Amendment and Acknowledgement, dated as of May 13, 2015, among Apollo Medical Holdings, Inc., NNA of Nevada, Inc., Warren Hosseinion, M.D. and Adrian Vazquez, M.D. (filed as an exhibit to a Current Report on Form 8-K on May 15, 2015).

10.48 Amendment to the First Amendment and Acknowledgement, dated as of July 7, 2015, among Apollo Medical Holdings, Inc., NNA of Nevada, Inc., Warren Hosseinion, M.D. and Adrian Vazquez, M.D. (filed as an exhibit to a Current Report on Form 8-K on July 10, 2015).

10.49 Waiver and Consent dated as of August 18, 2015 between Apollo Medical Holdings, Inc. and NNA of Nevada, Inc. (filed as an exhibit to a Quarterly Report on Form 10-Q on August 19, 2015)

10.50 Securities Purchase Agreement dated October 14, 2015 between Apollo Medical Holdings, Inc. and Network Medical Management, Inc. (filed as an exhibit to a Current Report on Form 8-K on October 19, 2015).

10.51 Second Amendment and Conversion Agreement dated as of November 17, 2015 between Apollo Medical Holdings, Inc., NNA of Nevada, Inc., Warren Hosseinion, M.D. and Adrian Vazquez, M.D. (filed as an exhibit to a Current Report on Form 8-K on November 19, 2015).

10.52+ Board of Directors Agreement between Apollo Medical Holdings, Inc. and Thomas S. Lam, M.D. dated January 19, 2016 (filed as an exhibit to a Current Report on Form 8-K on January 19, 2016)

10.53+ First Amendment to Employment Agreement dated as of January 12, 2016 between Apollo Medical Management, Inc. and Warren Hosseinion, M.D. (filed as an exhibit to a Current Report on Form 8-K on January 19, 2016).

10.54+ First Amendment to Employment Agreement dated as of January 12, 2016 between Apollo Medical Management, Inc. and Adrian Vazquez, M.D. (filed as an exhibit to a Current Report on Form 8-K on January 19, 2016).

10.55+ Consulting Agreement dated January 12, 2016 between Apollo Medical Holdings, Inc. and Flacane Advisors, Inc. (filed as an exhibit to a Current Report on Form 8-K on January 19, 2016).

10.56 Indemnification Agreement effective as of September 21, 2015 between Apollo Medical Holdings, Inc. and William Abbott (filed as an exhibit to a Current Report on Form 8-K on January 19, 2016).

10.57+ Board of Directors Agreement dated January 12, 2016 between Apollo Medical Holdings, Inc. and Mark Fawcett (filed as an exhibit to a Current Report on Form 8-K/A on February 2, 2016).

10.58 Securities Purchase Agreement dated March 30, 2016 between Apollo Medical Holdings, Inc. and Network Medical Management, Inc. (filed as an exhibit to a Current Report on Form 8-K on April 4, 2016).

10.59*	2015 Equity Incentive Plan
10.60*	Asset Purchase Agreement dated January 12, 2016 among Apollo Medical Holdings, Inc., Apollo Care Connect, Inc. and Healarium, Inc.
10.61*	Amendment No.2 to Intercompany Revolving Loan Agreement dated March 30, 2016 between Apollo Medical Management, Inc. and Maverick Medical Group, Inc.
10.62*	Amended and Restated Subordination Agreement between Apollo Medical Management, Inc. and Maverick Medical Group, Inc.
10.63	Stock Purchase Agreement dated as of March 1, 2016 by and among Robert Tracy, D.O., Inc., ApolloMed Care Clinic and Warren Hosseinion, M.D. as nominee for Apollo Medical Management, Inc. (filed as an exhibit to a Current Report on Form 8-K on June 28, 2016)
10.64	Non-Interest Bearing Secured Promissory Note dated March 1, 2016 (filed as an exhibit to a Current Report on Form 8-K on June 28, 2016)
10.65	First Amendment to Stock Purchase Agreement and to Non-Interest Bearing Promissory Note dated as of March 1, 2016 by and among Robert Tracy, D.O., Inc., ApolloMed Care Clinic and Warren Hosseinion, M.D. as nominee for Apollo Medical Management, Inc. (filed as an exhibit to a Current Report on Form 8-K on June 28, 2016)
10.66*	Membership Interest Purchase Agreement and Release dated as of December 9, 2015 between Apollo Medical Holdings, Inc., Apollo Medical Management, Inc., Apollo Palliative Services LLC and Sandeep Kapoor, M.D.
10.67+*	Amended and Restated Employment Agreement made as of June 29, 2016 by and between Apollo Medical Management, Inc. and Warren Hosseinion, M.D.
10.68+*	Amended and Restated Employment Agreement made as of June 29, 2016 by and between Apollo Medical Management, Inc. and Adrian Vazquez, M.D.
10.69+*	Amended and Restated Hospitalist Participation Service Agreement made as of June 29, 2016 by and between ApolloMed Hospitalists, a Medical Corporation, and Warren Hosseinion, M.D.
10.70+*	Amended and Restated Hospitalist Participation Service Agreement made as of June 29, 2016 by and between ApolloMed Hospitalists, a Medical Corporation, and Adrian Vazquez, M.D.
10.71*	Third Amendment dated June 28, 2016 between Apollo Medical Holdings, Inc. and NNA of Nevada, Inc.
21.1*	Subsidiaries of Apollo Medical Holdings, Inc.
23.1*	Consent of BDO USA, LLP
31.1*	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934
31.2*	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934
32*	Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

*

Filed herewith

+

Management contract or compensatory plan, contract or arrangement

(c) *Financial Statement Schedules:*

Not applicable.

SIGNATURES

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

APOLO MEDICAL HOLDINGS, INC.

Date: June 29, 2016

By: /s/ WARREN HOSSEINION, M.D.
Warren Hosseinion, M.D.,
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints, jointly and severally, Warren Hosseinion and Gary Augusta, and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934 this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE

/S/ WARREN HOSSEINION, M.D.
Warren Hosseinion, M.D.,

/S/ GARY AUGUSTA
Gary Augusta

/S/ MARK FAWCETT
Mark Fawcett

/S/ THOMAS LAM
Thomas Lam, M.D.

/S/ SURESH NIHALANI
Suresh Nihalani

/S/ DAVID SCHMIDT
David Schmidt

/S/ TED SCHRECK
Ted Schreck

TITLE

Chief Executive Officer, Interim Chief Financial Officer (Principal Financial and Accounting Officer) and Director

Executive Chairman and Director

Director

Director

Director

Director

Director

CONSOLIDATED FINANCIAL STATEMENTS - TABLE OF CONTENTS:

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Board of Directors and Stockholders
Apollo Medical Holdings, Inc.
Glendale, California

We have audited the accompanying consolidated balance sheets of Apollo Medical Holdings, Inc. ("Company") as of March 31, 2016 and 2015 and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Apollo Medical Holdings, Inc. at March 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Los Angeles, California
June 29, 2016

APOLLO MEDICAL HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

	March 31,	
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 9,270,010	\$ 5,014,242
Accounts receivable, net of allowance for doubtful accounts of \$601,000 and \$165,000 at March 31, 2016 and 2015, respectively	3,392,941	3,801,584
Other receivables	581,213	208,288
Due from Affiliates	20,505	36,397
Prepaid expenses and other current assets	293,828	792,568
Total current assets	13,558,497	9,853,079
Deferred financing costs, net	37,926	264,708
Property and equipment, net	1,247,973	582,470
Restricted cash	530,000	530,000
Intangible assets, net	2,353,212	1,377,257
Goodwill	1,622,483	2,168,833
Other assets	216,442	218,716
Total assets	\$ 19,566,533	\$ 14,995,063
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY (DEFICIT)		
Accounts payable and accrued liabilities	\$ 4,572,307	\$ 3,340,594
Medical liabilities	2,670,709	1,260,549
Notes and lines of credit payable, net of discount, current portion	188,764	327,141
Convertible notes payable, net of discount, current portion	-	1,037,818
Total current liabilities	7,431,780	5,966,102
Notes, net of discount, non-current portion	-	6,234,721
Convertible notes payable, net of discount, non-current portion	-	1,457,103
Warrant liability	2,811,111	2,144,496
Deferred rent liability	728,877	11,610
Deferred tax liability	43,479	171,215
Total liabilities	11,015,247	15,985,247
COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS		
MEZZANINE EQUITY		
Series A Preferred stock, par value \$0.001; 5,000,000 shares authorized (inclusive of Series B); 1,111,111 and none issued and outstanding as of March 31, 2016 and 2015, respectively Liquidation preference of \$9,999,999 and \$0 at March 31, 2016 and 2015, respectively	\$ 7,077,778	\$ -
STOCKHOLDERS' EQUITY (DEFICIT)		
Series B Preferred stock, par value \$0.001; 5,000,000 shares authorized (inclusive of Series A); 555,555 and none issued and outstanding as of March 31, 2016 and 2015, respectively Liquidation preference of \$4,999,995 and \$0 at March 31, 2016 and 2015, respectively	3,884,745	-
Common stock, par value \$0.001; 100,000,000 shares authorized, 5,876,852 and 4,863,389 shares issued and outstanding at March 31, 2016 and 2015, respectively	5,876	4,863
Additional paid-in capital	23,524,517	16,517,985
Accumulated deficit	(28,684,565)	(19,340,521)
Stockholders' deficit attributable to Apollo Medical Holdings, Inc.	(1,269,427)	(2,817,673)
Non-controlling interest	2,742,935	1,827,489
Total stockholders' equity (deficit)	1,473,508	(990,184)
TOTAL LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 19,566,533	\$ 14,995,063

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

APOLLO MEDICAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For The Years Ended March 31,	
	2016	2015
Net revenues	\$ 44,048,740	\$ 32,989,742
Costs and expenses:		
Cost of services	34,000,786	22,067,421
General and administrative	16,962,687	11,282,221
Depreciation and amortization	351,396	334,434
Total costs and expenses	<u>51,314,869</u>	<u>33,684,076</u>
Loss from operations	(7,266,129)	(694,334)
Other (expense) income:		
Interest expense	(542,296)	(1,326,407)
(Loss) gain on change in fair value of warrant and conversion feature liabilities, net	(408,692)	833,545
Loss on debt extinguishment, net	(266,366)	-
Other income	239,057	3,031
Total other expense, net	<u>(978,297)</u>	<u>(489,831)</u>
Loss before (benefit) provision for income taxes	(8,244,426)	(1,184,165)
(Benefit) provision for income taxes	<u>(71,037)</u>	<u>163,792</u>
Net loss	(8,173,389)	(1,347,957)
Net income attributable to noncontrolling interests	<u>1,170,655</u>	<u>454,644</u>
Net loss attributable to Apollo Medical Holdings, Inc.	\$ (9,344,044)	\$ (1,802,601)
Net loss per share:		
Basic and diluted	\$ (1.79)	\$ (0.37)
Weighted average shares of common stock outstanding:		
Basic and diluted	5,212,927	4,891,652

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

APOLLO MEDICAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Preferred Stock – Series B		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interests	Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance April 1, 2014	-	\$ -	4,913,455	\$ 4,913	\$ 15,127,587	\$ (17,537,920)	\$ 782,265	\$ (1,623,155)
Net income (loss)	-	-	-	-	-	(1,802,601)	454,644	(1,347,957)
Issuance of warrants	-	-	-	-	132,000	-	-	132,000
Contribution of noncontrolling interest	-	-	-	-	-	-	725,278	725,278
Distributions to noncontrolling interest	-	-	-	-	-	-	(600,000)	(600,000)
Issuance of membership interest in subsidiary	-	-	-	-	-	-	274,148	274,148
Stock-based compensation expense	-	-	-	-	1,258,848	-	-	1,258,848
Pre-acquisition net equity of noncontrolling interest in variable	-	-	-	-	-	-	191,154	191,154
Repurchase of common stock	-	-	(50,050)	(50)	(450)	-	-	(500)
Partial shares paid out in connection with 1 for 10 reverse stock split	-	-	(16)	-	-	-	-	-
Balance at March 31, 2015	-	-	4,863,389	4,863	16,517,985	(19,340,521)	1,827,489	(990,184)
Net income (loss)	-	-	-	-	-	(9,344,044)	1,170,655	(8,173,389)
Stock-based compensation expense	-	-	-	-	1,103,976	-	-	1,103,976
Issuance of common stock in acquisition	-	-	275,000	275	1,512,225	-	-	1,512,500
Distributions to noncontrolling interest	-	-	-	-	-	-	(702,642)	(702,642)
Reclassification of noncontrolling interest to notes receivable	-	-	-	-	-	-	414,716	414,716
Net adjustment from change in APS ownership interest	-	-	-	-	(338,032)	-	32,717	(305,315)
Conversion of 9% notes to common stock	-	-	138,463	138	553,713	-	-	553,851
Conversion of 8% notes and warrants to common stock	-	-	600,000	600	3,059,400	-	-	3,060,000
Issuance of preferred stock and equity warrant	555,555	\$ 3,884,745	-	-	1,115,250	-	-	4,999,995
Balance at March 31, 2016	555,555	\$ 3,884,745	5,876,852	\$ 5,876	\$ 23,524,517	\$ (28,684,565)	\$ 2,742,935	\$ 1,473,508

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

APOLLO MEDICAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended March 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (8,173,389)	\$ (1,347,957)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for doubtful accounts	435,838	64,811
Depreciation and amortization	351,396	334,434
Gain on sale of marketable securities	-	(49,791)
Loss on disposal of assets	476,745	-
Deferred income taxes	(127,736)	(51,922)
Stock-based compensation expense	1,103,976	1,258,848
Loss on debt extinguishment, net	266,366	-
Amortization of deferred financing costs	94,912	121,578
Write-off of capitalized offering costs	513,646	-
Amortization of debt discount, net of out of period correction	(29,984)	400,394
Change in fair value of warrant and conversion feature liability	408,692	(833,545)
Impairment of goodwill and intangible assets	207,285	-
Changes in assets and liabilities:		
Accounts receivable	(27,195)	(912,205)
Other receivables	283,704	(188,236)
Due from affiliates	15,892	55,358
Prepaid expenses and other current assets	(92,182)	(118,054)
Deferred financing costs	(43,330)	-
Other assets	3,181	(106,510)
Accounts payable and accrued liabilities	1,024,991	851,277
Deferred rent liability	57,907	-
Medical liabilities	1,410,160	249,610
Net cash used in operating activities	<u>(1,839,125)</u>	<u>(271,910)</u>
Cash flows from investing activities:		
Acquisitions, net of \$0 and \$660,893 of cash and cash equivalents acquired during the year ended March 31, 2016 and 2015, respectively	-	(3,356,145)
Proceeds from the sale of ACC assets	15,000	-
Increase in cash on consolidation of variable interest entity	-	271,395
Proceeds from sale of marketable securities	-	438,884
Property and equipment acquired	(262,108)	(44,509)
Increase in restricted cash	-	(510,000)
Net cash used in investing activities	<u>(247,108)</u>	<u>(3,200,375)</u>
Cash flows from financing activities:		
Proceeds from the issuance of Series A preferred stock and warrants	10,000,000	-
Proceeds from the issuance of Series B preferred stock and warrants	4,999,995	-
Proceeds from issuance of convertible note payable	-	2,000,000
Repayments on convertible notes	(470,000)	-
Proceeds from notes payable	100,000	-
Proceeds from line of credit	-	1,000,000
Repayments on lines of credit	(1,006,000)	-
Principal payments on notes payable	(6,527,500)	(936,083)
Contributions by noncontrolling interest	-	725,278
Distributions to noncontrolling interest	(702,642)	(600,000)
Debt issuance costs	-	(533,646)
Proceeds from issuance of common stock	200,000	-
Payment to noncontrolling interest for equity interest	<u>(251,852)</u>	<u>(500)</u>
Net cash provided by financing activities	<u>6,342,001</u>	<u>1,655,049</u>
Net change in cash and cash equivalents	4,255,768	(1,817,236)
Cash and cash equivalents, beginning of year	<u>5,014,242</u>	<u>6,831,478</u>
Cash and cash equivalents, end of year	<u>\$ 9,270,010</u>	<u>\$ 5,014,242</u>

Continued

APOLLO MEDICAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

	For The Years Ended March 31,	
	2016	2015
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	\$ 521,341	\$ 768,845
Income taxes paid	176,587	32,197
NON-CASH FINANCING ACTIVITIES:		
Convertible note warrant	\$ -	\$ 487,620
Convertible note conversion feature	-	578,155
Acquisition related warrant consideration	-	132,000
Acquisition related consideration fair value of units issued by consolidated subsidiary	-	274,148
Acquisition related deferred tax liability	-	218,183
Pre-acquisition net equity of noncontrolling interest in variable interest entity	-	191,154
Issuance of common stock on conversion of 8% warrants and notes	3,060,000	-
Issuance of common stock in connection with conversion of 9% notes payable and accrued interest	553,851	-
Change in non-controlling interest ownership	338,032	-
Tenant improvement allowance	659,360	-
Note receivable related to sale of ACC asset	51,000	-
Convertible debt reclassified to accounts payable	100,000	-
Common stock issued for acquisition of intangible assets	1,312,500	-

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

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Apollo Medical Holdings, Inc. (the "Company" or "ApolloMed") and its affiliated physician groups are a patient-centered, physician-centric, integrated healthcare delivery company, working to provide coordinated, outcomes-based medical care in a cost-effective manner. ApolloMed has built a company and culture that is focused on physicians providing high quality care, population management and care coordination for patients, particularly for senior patients and patients with multiple chronic conditions.

ApolloMed serves Medicare, Medicaid and health maintenance organization ("HMO") patients, and uninsured patients, in California. The Company primarily provides services to patients who are covered predominately by private or public insurance, although the Company derives a small portion of its revenue from non-insured patients. The Company provides care coordination services to each major constituent of the healthcare delivery system, including patients, families, primary care physicians, specialists, acute care hospitals, alternative sites of inpatient care, physician groups and health plans.

ApolloMed's physician network consists of hospitalists, primary care physicians and specialist physicians primarily through ApolloMed's owned and affiliated physician groups. ApolloMed operates through the following subsidiaries: Apollo Medical Management, Inc. ("AMM"), Pulmonary Critical Care Management, Inc. ("PCCM"), Verdugo Medical Management, Inc. ("VMM"), ApolloMed Accountable Care Organization, Inc. ("ApolloMed ACO"), and Apollo Care Connect (ApolloCare). Through its wholly-owned subsidiary, AMM, ApolloMed manages affiliated medical groups, which consist of ApolloMed Hospitalists ("AMH"), a hospitalist company, ApolloMed Care Clinic ("ACC"), Maverick Medical Group, Inc. ("MMG"), AKM Medical Group, Inc. ("AKM"), Southern California Heart Centers ("SCHC") and Bay Area Hospitalist Associates, A Medical Corporation ("BAHA"). Through its wholly-owned subsidiary, PCCM, ApolloMed manages Los Angeles Lung Center ("LALC"), and through its wholly-owned subsidiary VMM, ApolloMed manages Eli Hendel, M.D., Inc. ("Hendel"). ApolloMed also has a controlling interest in ApolloMed Palliative Services, LLC ("APS"), which owns two Los Angeles-based companies, Best Choice Hospice Care LLC ("BCHC") and Holistic Health Home Health Care Inc. ("HCHHA").

AMM, PCCM and VMM each operate as a physician practice management company and are in the business of providing management services to physician practice corporations under long-term management service agreements, pursuant to which AMM, PCCM or VMM, as applicable, manages all non-medical services for the affiliated medical group and has exclusive authority over all non-medical decision making related to ongoing business operations.

ApolloMed ACO participates in the Medicare Shared Savings Program ("MSSP"), the goal of which is to improve the quality of patient care and outcomes through more efficient and coordinated approach among providers. Revenues earned by ApolloMed ACO are uncertain, and, if such amounts are payable by the Centers for Medicare & Medicaid Services ("CMS"), they will be paid on an annual basis significantly after the time earned, and are contingent on various factors, including achievement of the minimum savings rate as determined by MSSP for the relevant period. Such payments are earned and made on an "all or nothing" basis. CMS has determined that ApolloMed ACO did not meet the minimum savings threshold and therefore did not receive any incentive payment in fiscal year 2016 for calendar 2015.

On March 1, 2016, the Company sold substantially all the assets of ACC to an unrelated third party. As the Company still operates various clinics, the sale was not deemed to represent a strategic shift in the Company's operations and therefore not considered a discontinued operation.

Liquidity and Capital Resources

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

The Company has a history of operating losses and as of March 31, 2016 has an accumulated deficit of approximately \$29 million, and during the year ended March 31, 2016 net cash used in operating activities was approximately \$1.8 million.

The Company obtained \$15 million in gross proceeds from the issuance of preferred stock in October 2015 and March 2016 (see Note 9).

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of March 31, 2016, the Company's primary source of liquidity includes cash on hand of approximately \$9.3 million which is part of net working capital of approximately \$6.1 million. The Company, however, may require additional funding to meet certain obligations until sufficient cash flows are generated from anticipated operations. Management believes that ongoing requirements for working capital, debt service and planned capital expenditures will be adequately funded from current sources for at least the next twelve months. If available funds are not adequate, the Company may need to obtain additional sources of funds or reduce operations; however, there is no assurance that the Company will be successful in doing so.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The Company's consolidated financial statements include the accounts of (1) Apollo Medical Holdings, Inc. and its wholly owned subsidiaries AMM, PCCM, and VMM, (2) the Company's controlling interest in ApolloMed ACO, and APS, (3) physician practice corporations ("PPCs") managed under long-term management service agreements including AMH, MMG, ACC, LALC, Hendel, AKM, SCHK and BAHA. Some states have laws that prohibit business entities, such as ApolloMed, from practicing medicine, employing physicians to practice medicine, exercising control over medical decisions by physicians (collectively known as the corporate practice of medicine), or engaging in certain arrangements with physicians, such as fee-splitting. In California, the Company operates by maintaining long-term management service agreements with the PPCs, which are each owned and operated by physicians, and which employ or contract with additional physicians to provide hospitalist services. Under the management agreements, the Company provides and performs all non-medical management and administrative services, including financial management, information systems, marketing, risk management and administrative support. Each management agreement typically has a term from 10 to 20 years unless terminated by either party for cause. The management agreements are not terminable by the PPCs, except in the case of material breach or bankruptcy of the respective PPM.

Through the management agreements and the Company's relationship with the stockholders of the PPCs, the Company has exclusive authority over all non-medical decision making related to the ongoing business operations of the PPCs. Consequently, the Company consolidates the revenue and expenses of each PPC from the date of execution of the applicable management agreement.

All intercompany balances and transactions have been eliminated in consolidation.

Business Combinations

The Company uses the acquisition method of accounting for all business combinations, which requires assets and liabilities of the acquiree to be recorded at fair value to measure the fair value of the consideration transferred, including contingent consideration, to be determined on the acquisition date, and to account for acquisition related costs separately from the business combination.

Reportable Segments

The Company operates as one reportable segment, the healthcare delivery segment, and implements and operates innovative health care models to create a patient-centered, physician-centric experience. The Company reports its consolidated financial statements in the aggregate, including all activities in one reportable segment.

Revenue Recognition

Revenue consists of contracted, fee-for-service, and capitation revenue. Revenue is recorded in the period in which services are rendered. Revenue is principally derived from the provision of healthcare staffing services to patients within healthcare facilities. The form of billing and related risk of collection for such services may vary by customer. The following is a summary of the principal forms of the Company's billing arrangements and how net revenue is recognized for each.

Contracted revenue

Contracted revenue represents revenue generated under contracts for which the Company provides physician and other healthcare staffing and administrative services in return for a contractually negotiated fee. Contract revenue consists primarily of billings based on hours of healthcare staffing provided at agreed-to hourly rates. Revenue in such cases is recognized as the hours are worked by the Company's staff and contractors. Additionally, contract revenue also includes supplemental revenue from hospitals where the Company may have a fee-for-service contract arrangement or provide physician advisory services to the medical staff at a specific facility. Contract revenue for the supplemental billing in such cases is recognized based on the terms of each individual contract. Such contract terms generally either provides for a fixed monthly dollar amount or a variable amount based upon measurable monthly activity, such as hours staffed, patient visits or collections per visit compared to a minimum activity threshold. Such supplemental revenues based on variable arrangements are usually contractually fixed on a monthly, quarterly or annual calculation basis considering the variable factors negotiated in each such arrangement. Such supplemental revenues are recognized as revenue in the period when such amounts are determined to be fixed and therefore contractually obligated as payable by the customer under the terms of the respective agreement. Additionally, the Company derives a portion of the Company's revenue as a contractual bonus from collections received by the Company's partners and such revenue is contingent upon the collection of third-party billings. These revenues are not considered earned and therefore not recognized as revenue until actual cash collections are achieved in accordance with the contractual arrangements for such services.

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fee-for-service revenue

Fee-for-service revenue represents revenue earned under contracts in which the Company bills and collects the professional component of charges for medical services rendered by the Company's contracted physicians. Under the fee-for-service arrangements, the Company bills patients for services provided and receive payment from patients or their third-party payors. Fee-for-service revenue is reported net of contractual allowances and policy discounts. All services provided are expected to result in cash flows and are therefore reflected as net revenue in the financial statements. Fee-for-service revenue is recognized in the period in which the services are rendered to specific patients and reduced immediately for the estimated impact of contractual allowances in the case of those patients having third-party payor coverage. The recognition of net revenue (gross charges less contractual allowances) from such visits is dependent on such factors as proper completion of medical charts following a patient visit, the forwarding of such charts to the Company's billing center for medical coding and entering into the Company's billing system and the verification of each patient's submission or representation at the time services are rendered as to the payor(s) responsible for payment of such services. Revenue is recorded based on the information known at the time of entering of such information into the Company's billing systems as well as an estimate of the revenue associated with medical services.

Capitation revenue

Capitation revenue (net of capitation withheld to fund risk share deficits) is recognized in the month in which the Company is obligated to provide services. Minor ongoing adjustments to prior months' capitation, primarily arising from contracted health maintenance organizations (each, an "HMO") finalizing of monthly patient eligibility data for additions or subtractions of enrollees, are recognized in the month they are communicated to the Company. Managed care revenues of the Company consist primarily of capitated fees for medical services provided by the Company under a provider service agreement ("PSA") or capitated arrangements directly made with various managed care providers including HMO's and management service organizations ("MSOs"). Capitation revenue under the PSA and HMO contracts is prepaid monthly to the Company based on the number of enrollees electing the Company as their healthcare provider. Additionally, Medicare pays capitation using a "Risk Adjustment model," which compensates managed care organizations and providers based on the health status (acuity) of each individual enrollee. Health plans and providers with higher acuity enrollees will receive more and those with lower acuity enrollees will receive less. Under Risk Adjustment, capitation is determined based on health severity, measured using patient encounter data. Capitation is paid on an interim basis based on data submitted for the enrollee for the preceding year and is adjusted in subsequent periods after the final data is compiled. Positive or negative capitation adjustments are made for Medicare enrollees with conditions requiring more or less healthcare services than assumed in the interim payments. Since the Company cannot reliably predict these adjustments, periodic changes in capitation amounts earned as a result of Risk Adjustment are recognized when those changes are communicated by the health plans to the Company.

HMO contracts also include provisions to share in the risk for enrollee hospitalization, whereby the Company can earn additional incentive revenue or incur penalties based upon the utilization of hospital services. Typically, any shared risk deficits are not payable until and unless the Company generates future risk sharing surpluses, or if the HMO withholds a portion of the capitation revenue to fund any risk share deficits. At the termination of the HMO contract, any accumulated risk share deficit is typically extinguished. Due to the lack of access to information necessary to estimate the related costs, shared-risk amounts receivable from the HMOs are only recorded when such amounts are known. Risk pools for the prior contract years are generally final settled in the third or fourth quarter of the following fiscal year.

In addition to risk-sharing revenues, the Company also receives incentives under "pay-for-performance" programs for quality medical care, based on various criteria. These incentives are generally recorded in the third and fourth quarters of the fiscal year and recorded when such amounts are known.

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Under full risk capitation contracts, an affiliated hospital enters into agreements with several HMOs, pursuant to which, the affiliated hospital provides hospital, medical, and other healthcare services to enrollees under a fixed capitation arrangement ("Capitation Arrangement"). Under the risk pool sharing agreement, the affiliated hospital and medical group agree to establish a Hospital Control Program to serve the enrollees, pursuant to which, the medical group is allocated a percentage of the profit or loss, after deductions for costs to affiliated hospitals. The Company participates in full risk programs under the terms of the PSA, with health plans whereby the Company is wholly liable for the deficits allocated to the medical group under the arrangement. The related liability is included in medical liabilities in the accompanying consolidated balance sheets at March 31, 2016 and March 31, 2015 (see "Medical Liabilities" in this Note 2, below).

Medicare Shared Savings Program Revenue

The Company, through its subsidiary ApolloMed ACO, participates in the MSSP, which is sponsored by CMS. The goal of the MSSP is to improve the quality of patient care and outcomes through more efficient and coordinated approach among providers. The MSSP allows ACO participants to share in cost savings it generates in connection with rendering medical services to Medicare patients. Payments to ACO participants, if any, will be calculated annually by CMS on cost savings generated by the ACO participant relative to the ACO participants' cost savings benchmark. The MSSP is a relatively new program managed by CMS that has an evolving payment methodology. Revenues earned by ApolloMed ACO are uncertain, and, if such amounts are payable by the CMS, they will be paid on an annual basis significantly after the time earned, and will be contingent on various factors, including achievement of the minimum savings rate as determined by MSSP for the relevant period. Such payments are earned and made on an "all or nothing" basis. The Company considers revenue, if any, under the MSSP, as contingent upon the realization of program savings as determined by CMS, and are not considered earned and therefore are not recognized as revenue until notice from CMS that cash payments are to be imminently received.

Cash and Cash Equivalents

Cash and cash equivalents consists of highly liquid investments with an initial maturity of three months or less at date of purchase to be cash equivalents.

Restricted Cash

Restricted cash primarily consists of cash held as collateral to secure standby letters of credits as required by certain contracts. The certificates have an interest rate ranging from 0.05% to 0.15%.

Long-Lived Assets

The Company reviews its long-lived assets including definite lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company evaluates assets for potential impairment by comparing estimated future undiscounted net cash flows to the carrying amount of the assets. If the carrying amount of the assets exceeds the estimated future undiscounted cash flows, impairment is measured based on the difference between the carrying amount of the assets and fair value.

Goodwill and Indefinite-Lived Intangible Assets

Under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, *Intangibles – Goodwill and Other* ("ASC 350"), goodwill and indefinite-lived intangible assets are reviewed at least annually for impairment. Acquired intangible assets with definite lives are amortized over their individual useful lives.

At least annually, at the Company's fiscal year end, management assesses whether there has been any impairment in the value of goodwill by first comparing the fair value to the net carrying value of the reporting unit. If the carrying value exceeds its estimated fair value, a second step is performed to compute the amount of the impairment. An impairment loss is recognized if the implied fair value of the asset being tested is less than its carrying value. In this event, the asset is written down accordingly. The fair values of goodwill are determined using valuation techniques based on estimates, judgments and assumptions management believes are appropriate in the circumstances.

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At least annually, indefinite-lived intangible assets are tested for impairment. Impairment for intangible assets with indefinite lives exists if the carrying value of the intangible asset exceeds its fair value. The fair values of indefinite-lived intangible assets are determined using valuation techniques based on estimates, judgments and assumptions management believes are appropriate in the circumstances.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable primarily consists of amounts due from third-party payors, including government sponsored Medicare and Medicaid programs, insurance companies, and amounts due from hospitals and patients. Accounts receivable are recorded and stated at the amount expected to be collected.

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. The Company also regularly analyses the ultimate collectability of accounts receivable after certain stages of the collection cycle using a look-back analysis to determine the amount of receivables subsequently collected and adjustments are recorded when necessary. Reserves are recorded primarily on a specific identification basis.

Concentrations

The Company had major payors that contributed the following percentage of net revenue:

	For The Years Ended March 31,	
	2016	2015
Governmental - Medicare/Medi-Cal	29.8%	34.8%
L.A. Care	15.7%	13.2%
Health Net	9.9%	12.3%

Receivables from one of these payors amounted to the following percentage of accounts receivable before the allowance for doubtful accounts:

	For The Years Ended March 31,	
	2016	2015
Governmental - Medicare/Medi-Cal	39.3%	22.1%
Allied Physicians	15.8%	*

* Represents less than 10%

The Company maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts; however, amounts in excess of the federally insured limit may be at risk if the bank experiences financial difficulties. As of March 31, 2016, approximately \$8.8 million was in excess of the FDIC limits.

The Company's business and operations are concentrated in one state, California. Any material changes by California with respect to strategy, taxation and economics of healthcare delivery, reimbursements, financial requirements or other aspects of regulation of the healthcare industry could have an adverse effect on the Company's operations and cost of doing business.

Property and Equipment

Property and equipment is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets. Cost and related accumulated depreciation on assets retired or disposed of are removed from the accounts and any resulting gains or losses are credited or charged to income. Computers and software are depreciated over 3 years. Furniture and fixtures are depreciated over 8 years. Machinery and equipment are depreciated over 5 years.

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Property and equipment consisted of the following:

	For The Years Ended March 31,	
	2016	2015
Website	\$ 4,568	\$ 4,568
Computers	166,043	125,478
Software	215,439	165,439
Machinery and equipment	351,090	355,988
Furniture and fixtures	114,127	88,939
Leasehold improvements	1,094,665	402,035
	<u>1,945,932</u>	<u>1,142,447</u>
Less accumulated depreciation and amortization	(697,959)	(559,977)
	<u>\$ 1,247,973</u>	<u>\$ 582,470</u>

Depreciation and amortization expense was \$165,620 and \$207,063 for the years ended March 31, 2016 and 2015, respectively.

Medical Liabilities

The Company is responsible for integrated care that the associated physicians and contracted hospitals provide to its enrollees under risk-pool arrangements. The Company provides integrated care to health plan enrollees through a network of contracted providers under sub-capitation and direct patient service arrangements, company-operated clinics and staff physicians. Medical costs for professional and institutional services rendered by contracted providers are recorded as cost of services in the accompanying consolidated statements of operations. Costs for operating medical clinics, including the salaries of medical personnel, are also recorded in cost of services, while non-medical personnel and support costs are included in general and administrative expense.

An estimate of amounts due to contracted physicians, hospitals, and other professional providers is included in medical liabilities in the accompanying consolidated balance sheets. Medical liabilities include claims reported as of the balance sheet date and estimates of incurred but not reported claims ("IBNR"). Such estimates are developed using actuarial methods and are based on many variables, including the utilization of health care services, historical payment patterns, cost trends, product mix, seasonality, changes in membership, and other factors. The estimation methods and the resulting reserves are periodically reviewed and updated. Many of the medical contracts are complex in nature and may be subject to differing interpretations regarding amounts due for the provision of various services. Such differing interpretations may not come to light until a substantial period of time has passed following the contract implementation. The Company has a \$20,000 per member professional stop-loss and \$200,000 per member stop-loss for Medi-Cal patients in institutional risk pools. Any adjustments to reserves are reflected in current operations.

The Company's medical liabilities were as follows:

	For The Years Ended March 31,	
	2016	2015
Balance, beginning of year	\$ 1,260,549	\$ 552,561
Incurred health care costs:		
Current year	7,844,329	4,211,231
Acquired medical liabilities (see Note 4)	-	458,378
Claims paid:		
Current year	(6,019,186)	(3,245,283)
Prior years	(1,159,909)	(90,367)
Total claims paid	<u>(7,179,095)</u>	<u>(3,335,650)</u>
Risk pool settlement	-	(384,869)
Accrual for net deficit from full risk capitation contracts	803,981	544,041
Adjustments	<u>(59,055)</u>	<u>(785,143)</u>
Balance, end of year	<u>\$ 2,670,709</u>	<u>\$ 1,260,549</u>

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred Financing Costs

Costs relating to debt issuance have been deferred and are amortized over the lives of the respective loans, using the effective interest method (see Notes 6 and 7).

During the year ended March 31, 2016, the Company wrote-off deferred financing costs of approximately \$175,000 related to the conversion of NNA of Nevada, Inc. ("NNA") indebtedness as part of the loss on debt extinguishment expense (see Note 6).

At March 31, 2015, there was approximately \$514,000 of capitalized offering costs included in prepaid expenses and other current assets related to the Company's public offering which was anticipated to close during the second quarter of fiscal 2016. In the quarter ended June 30, 2015, it was determined that the offering was postponed by more than 90 days and therefore these costs, which included legal, accounting and regulatory fees, were expensed to general and administrative expenses and included in the accompanying statement of operations for the year ended March 31, 2016.

Income Taxes

Federal and state income taxes are computed at currently enacted tax rates less tax credits using the asset and liability method. Deferred taxes are adjusted both for items that do not have tax consequences and for the cumulative effect of any changes in tax rates from those previously used to determine deferred tax assets or liabilities. Tax provisions include amounts that are currently payable, changes in deferred tax assets and liabilities that arise because of temporary differences between the timing of when items of income and expense are recognized for financial reporting and income tax purposes, changes in the recognition of tax positions and any changes in the valuation allowance caused by a change in judgment about the realizability of the related deferred tax assets. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized.

The Company uses a recognition threshold of more-likely-than-not and a measurement attribute on all tax positions taken or expected to be taken in a tax return in order to be recognized in the financial statements. Once the recognition threshold is met, the tax position is then measured to determine the actual amount of benefit to recognize in the financial statements.

Stock-Based Compensation

The Company maintains a stock-based compensation program for employees, non-employees, directors and consultants, which is more fully described in Note 9. The value of stock-based awards so measured is recognized as compensation expense on a cumulative straight-line basis over the vesting terms of the awards, adjusted for expected forfeitures. The Company sells certain of its restricted common stock to its employees, directors and consultants with a right (but not obligation) of repurchase feature that lapses based on performance of services in the future.

The Company accounts for share-based awards granted to persons other than employees and directors under ASC 505-50 *Equity-Based Payments to Non-Employees*. As such the fair value of such shares is periodically re-measured using an appropriate valuation model and income or expense is recognized over the vesting period.

Fair Value of Financial Instruments

The Company's accounting for Fair Value Measurement and Disclosures defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This topic also establishes a fair value hierarchy which requires classification based on observable and unobservable inputs when measuring fair value. The fair value hierarchy distinguishes between assumptions based on market data (observable inputs) and an entity's own assumptions (unobservable inputs). The hierarchy consists of three levels:

Level one — Quoted market prices in active markets for identical assets or liabilities;

Level two — Inputs other than level one inputs that are either directly or indirectly observable; and

Level three — Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

APOLLO MEDICAL HOLDINGS, INC.
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Determining which category an asset or liability falls within the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosures each quarter.

The carrying amount reported in the accompanying consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximates fair value because of the short-term maturity of those instruments. The carrying amount for borrowings under the NNA Term Loan and the Convertible Notes approximates fair value which is determined by using interest rates that are available for similar debt obligations with similar terms at the balance sheet date.

Warrant liability

In October 2015, the Company issued a warrant in connection with the 2015 NMM financing that required liability classification (see Note 6). The fair value of the warrant liability of approximately \$2.8 million at March 31, 2016 was estimated using the Monte Carlo valuation model, using the following inputs: term of 4.5 years, risk free rate of 1.13%, no dividends, volatility of 65.7%, share price of \$5.93 per share based on the trading price of the Company's common stock adjusted for marketability discount, and a 0% probability of redemption of the warrant shares issued along with the shares of the Company's convertible preferred stock issued in the NMM financing. The fair value of the warrant liability of approximately \$2.9 million in October 2015 was estimated at issuance using the Monte Carlo valuation model, using the following inputs: term of 5 years; risk free rate of 1.3%, no dividends, volatility of 63.3%, share price of \$6.00 per share based on the trading price of the Company's common stock adjusted for a marketability discount, and a 0% probability of redemption of the warrant shares issued along with the shares of the Company's convertible preferred stock issued in the NMM financing.

The fair value of the warrant liability of approximately \$2.1 million at March 31, 2015 relates to warrants previously issued to NNA and was estimated at March 31, 2015 using the Monte Carlo valuation model, using the following input terms: term of 6 years; risk free rate of 1.53%, no dividends, volatility of 57.4%, share price of \$5.00 per share based on the trading price of the Company's common stock adjusted for a marketability discount, and a 100% probability of "down-round" financing. This warrant was exercised in October 2015 and the related liability was marked to fair value with changes in fair value recorded in the consolidated statement of operations and reclassified to additional paid-in capital on such date. The fair value of the warrant liability on the date of conversion was estimated using the Monte Carlo simulation valuation model, using the following input terms: term of 5.45 years; risk free rate of 1.37%, no dividends, volatility of 62%, share price of \$6.00 per share based on the trading price of the Company's common stock, and a 50% probability of future financing event related to the anti-dilution feature of the warrants.

Conversion feature liability

The fair value of the \$442,358 conversion feature liability (included in convertible note payable) at March 31, 2015 issued in connection with the 2014 NNA financing 8% Convertible Note was estimated using the Monte Carlo valuation model which used the following inputs: term of 4.0 years, risk free rate of 1.1%, no dividends, volatility of 47.6%, share price of \$5.00 per share based on the trading price of the Company's common stock adjusted for a marketability discount, and a 100% probability that the Company will participate in a "down-round" financing at price per share lower than the initial conversion price of \$10.00 per share. The 8% Convertible Note was converted in October 2015 and the related liability was marked to fair value with changes in fair value recorded in the consolidated statement of operations and reclassified to additional paid-in capital on such date. The fair value of the conversion feature liability on the date of conversion was estimated using the Monte Carlo simulation valuation model, using the following input terms: term of 3.45 years; risk free rate of 0.95%, no dividends, volatility of 50.7%, share price of \$6.00 per share based on the trading price of the Company's common stock adjusted for a marketability discount, and a 50% probability of future financing event related to the anti-dilution provision of the convertible feature.

The carrying amounts and fair values of the Company's financial instruments measured at fair value on a recurring basis are presented below as of:

March 31, 2016

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Liabilities:				
Warrant liability	\$ -	\$ -	<u>\$ 2,811,111</u>	<u>\$ 2,811,111</u>

APOLLO MEDICAL HOLDINGS, INC.
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March 31, 2015

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Liabilities:				
Warrant liability	\$ -	\$ -	\$ 2,144,496	\$ 2,144,496
Conversion feature liability			442,358	442,358
	\$	\$	\$ 2,586,854	\$ 2,586,854

The following summarizes the activity of Level 3 inputs measured on a recurring basis for the years ended March 31, 2016 and 2015:

	Warrant Liability	Conversion Feature Liability	Total
	Warrant Liability	Conversion Feature Liability	Total
Balance at April 1, 2015	\$ 2,354,624	\$ -	\$ 2,354,624
Liability incurred (Note 7)	487,620	578,155	1,065,775
Gain on change in fair value of warrant and conversion feature liability	(697,748)	(135,797)	(833,545)
Balance at March 31, 2015	2,144,496	442,358	2,586,854
Warrant out of period correction (Note 12)	(999,724)	-	(999,724)
Conversion of warrants and convertible note to common stock – NNA	(1,624,029)	(482,904)	(2,106,933)
Fair value of warrant issued – NMM	2,922,222	-	2,922,222
Change in fair value of warrant and conversion feature liability	368,146	40,546	408,692
Balance at March 31, 2016	\$ 2,811,111	\$ -	\$ 2,811,111

The change in fair value of the warrant and conversion feature liability is included in the accompanying consolidated statements of operations. The fair value of the conversion feature liability is reflected in the accompanying consolidated balance sheet together with the carrying value of the convertible notes at March 31, 2015.

Non-controlling Interests

The non-controlling interests recorded in the Company's consolidated financial statements includes the equity of those PPC's in which the Company has determined that it has a controlling financial interest and for which consolidation is required as a result of management contracts entered into with these entities owned by third-party physicians. The nature of these contracts provide the Company with a monthly management fee to provide the services described above, and as such, the adjustments to non-controlling interests in any period subsequent to initial consolidation would relate to either capital contributions or distributions by the non-controlling parties as well as income or losses attributable to certain non-controlling interests. Non-controlling interests also represent third-party minority equity ownership interests which are majority owned by the Company.

During the year ended March 31, 2016, the Company entered into a settlement agreement with a shareholder of one of the Company's majority owned subsidiaries. In connection with the settlement agreement, the former shareholder received approximately \$400,000, of which approximately \$252,000 was paid by the Company and the remaining amount of approximately \$148,000 was paid by another shareholder of APS, in exchange for the shareholder's interest in such subsidiary, resulting in an increase in the Company's ownership interest in APS from 51% to 56%. The net effect of this settlement was a decrease in additional paid-in capital of approximately \$338,000, an adjustment to increase noncontrolling interest by approximately \$32,000 and an increase in noncontrolling interest resulting from a reclassification from noncontrolling interest to other receivables of approximately \$415,000.

Basic and Diluted Earnings per Share

Basic net income (loss) per share is calculated using the weighted average number of shares of the Company's common stock issued and outstanding during a certain period, and is calculated by dividing net income (loss) by the weighted average number of shares of the Company's common stock issued and outstanding during such period. Diluted net income (loss) per share is calculated using the weighted average number of common and potentially dilutive common shares outstanding during the period, using the as-if converted method for secured convertible notes, and the treasury stock method for options and warrants.

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table sets forth the number of shares excluded from the computation of diluted earnings per share, as their inclusion would be anti-dilutive:

	For The Years Ended March 31,	
	2016	2015
Preferred stock	1,666,666	-
Options	1,064,150	412,387
Warrants	2,091,166	119,430
Convertible notes	-	50,431
	<hr/>	<hr/>
	4,821,982	582,248

New Accounting Pronouncements

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. This update is effective for interim and annual reporting periods beginning after December 15, 2015 and requires retrospective application for all periods presented. Early adoption is permitted. The Company will adopt this standard in the interim period beginning on April 1, 2016.

In November 2015, the FASB issued Accounting Standards Update ("ASU") 2015-17, Income Taxes (ASU Topic 740): Balance Sheet Classification of Deferred Taxes. This amendment simplifies the presentation of deferred tax assets and liabilities on the balance sheet and requires all deferred tax assets and liabilities to be treated as non-current. ASU 2015-17 is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2016, with early adoption permitted. The Company has adopted ASU 2015-17 with retrospective effect to all periods presented and the adoption did not have any impact on fiscal 2015.

In February 2016, the FASB issued ASU 2016-02, Leases. This new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of the adoption of ASU 2016-02 on the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" (ASU 2016-09). This ASU makes several modifications to Topic 718 related to the accounting for forfeitures, employer tax withholding on share-based compensation, and the financial statement presentation of excess tax benefits or deficiencies. ASU 2016-09 also clarifies the statement of cash flows presentation for certain components of share-based awards. The standard is effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted. The Company expects to adopt this guidance when effective and is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements – Going Concern (Topic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"). This amendment prescribes that an entity should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. The amendments will become effective for the Company's annual and interim reporting periods beginning April 1, 2017. The Company will begin evaluating going concern disclosures based on this guidance upon adoption.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Topic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). ASU 2016-01 addresses certain aspects of recognition, measurement, presentation and disclosures of financial instruments including the requirement to measure certain equity investments at fair value with changes in fair value recognized in net income. ASU 2016-01 will become effective for the Company beginning interim period April 1, 2018. The Company is currently evaluating the guidance to determine the potential impact on its financial condition, results of operations, cash flows and financial statement disclosures.

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The FASB issued the following accounting standard updates related to Topic 606, Revenue Contracts with Customers:

- ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09") in May 2014. ASU 2014-09 requires entities to recognize revenue through the application of a five-step model, which includes identification of the contract, identification of the performance obligations, determination of the transaction price, allocation of the transaction price to the performance obligations and recognition of revenue as the entity satisfies the performance obligations.
- ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ("ASU 2016-08") in March 2016. ASU 2016-08 does not change the core principle of revenue recognition in Topic 606 but clarifies the implementation guidance on principal versus agent considerations.
- ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing ("ASU 2016-10") in April 2016. ASU 2016-10 does not change the core principle of revenue recognition in Topic 606 but clarifies the implementation guidance on identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas.
- ASU No. 2016-11, Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting (SEC Update) ("ASU 2016-11") in May 2016. ASU 2016-11 rescinds SEC paragraphs pursuant to two SEC Staff Announcements at the March 3, 2016 EITF meeting. The SEC Staff is rescinding SEC Staff Observer comments that are codified in Topic 605 and Topic 932, effective upon adoption of Topic 606.
- ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients in May 2016. ASU 2016-12 does not change the core principle of revenue recognition in Topic 606 but clarifies the implementation guidance on a few narrow areas and adds some practical expedients to the guidance.

These ASUs will become effective for the Company beginning interim period April 1, 2018. The Company is currently evaluating the impact of ASC 606, but at the current time does not know what impact the new standard will have on revenue recognized and other accounting decisions in future periods, if any, nor what method of adoption will be selected if the impact is material.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may materially differ from these estimates under different assumptions or conditions.

Reclassifications

Certain amounts in the prior period presented have been reclassified to conform to the current period financial statements presentation. These reclassifications have no effect on previously reported net loss, cash flows or accumulated deficit.

3. Acquisitions

Acquired Technology

In January 2016, Apollo Care Connect acquired certain assets from Healarium Inc., a third party entity, and was determined to be a purchase of assets. According to the asset purchase agreement, as amended, the Company agreed to issue 275,000 shares of common stock with a fair value of \$1,512,500 in exchange for the technology with a fair value of approximately \$1.3 million, plus \$200,000 in cash. The technology provides a cloud and mobile-based population health management platform, with an emphasis on chronic care management and high-risk patient management in addition to a comprehensive platform for total patient engagement. The acquired technology was placed into service in April 2016 and will be amortized over its estimated useful life of five years.

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Business Combinations

Apollo Palliative Services LLC and Affiliates Acquisitions

On October 27, 2014, AMM made an initial capital contribution of \$613,889 (the "Initial Contribution") to ApolloMed Palliative ("APS") in exchange for 51% of the membership interests of ApolloMed Palliative. ApolloMed Palliative used the Initial Contribution, in conjunction with funds contributed by other investors in ApolloMed Palliative, to finance the closing payments for the acquisitions described immediately below. In connection with this arrangement, the Company entered into a consulting agreement with one of ApolloMed Palliative's members. The consulting agreement has a 6 year term, and provides for the member to receive \$15,000 in cash per month, and for the member to be eligible to receive stock-based awards under the Company's 2013 Equity Incentive Plan as determined by the Company's Board of Directors. Immediately prior to closing the transactions described below, and as condition precedent to ApolloMed Palliative closing the transactions, the selling equity owners in each transaction described below contributed specific equity interests to ApolloMed Palliative in return for interests in ApolloMed Palliative pursuant to contributions agreements.

Best Choice Hospice Care LLC

Subject to the terms and conditions of that certain Membership Interest Purchase Agreement (the "BCHC Agreement"), dated October 27, 2014, by and among ApolloMed Palliative, the Company, the members of BCHC, and BCHC, ApolloMed Palliative agreed to purchase all of the remaining membership interests in BCHC for \$900,000 in cash and \$230,862 of equity consideration in APS, subject to reduction if BCHC's working capital was less than \$145,000 as of the closing of the transaction. APS agreed to pay a contingent payment of up to a further \$400,000 (the "BCHC Contingent Payment") to one seller and one employee of BCHC. The BCHC Contingent Payment will be paid in two installments of \$100,000 to each of the seller and the employee within sixty days of each of the first and second anniversaries of the transaction, and is contingent upon, as of each applicable date, the seller's and the employee's employment, as applicable, continuing or having been terminated without cause and, for the employee, meeting certain productivity targets. The Company absolutely, unconditionally and irrevocably guaranteed payment of the BCHC Contingent Payment if ApolloMed Palliative fails to make any payment. The contingent payments were accounted for as post-combination compensation consideration and will be accrued ratably over the two year term of the agreement. For the years ended March 31, 2016 and 2015, \$50,525 and \$109,848 were expensed and as of March 31, 2016 and 2015 \$41,667 and \$109,848 were included in accounts payable and accrued liabilities, respectively.

The Company accounted for the acquisition as a business combination using the acquisition method of accounting which requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the purchase date and be recorded on the balance sheet. The process for estimating the fair values of identifiable intangible assets involves the use of significant estimates and assumptions, including estimating future cash flows and developing appropriate discount rates. The value of the 16% equity interest in APS of \$230,862 was determined by aggregating the fair value of BCHC and HCHA "refer below" which are the only assets in APS and applying the 16% ownership interest in APS to the aggregated amount. The acquisition-date fair value of the consideration transferred was as follows:

Cash consideration	\$ 900,000
Fair value of equity consideration	230,862
Working capital adjustment	<u>(106,522)</u>
 <u>\$ 1,024,340</u>	

Transaction costs are not included as a component of consideration transferred and were expensed as incurred. The related transaction costs expensed for the year ended March 31, 2015 were approximately \$110,000 and are included in general and administrative expenses in the consolidated statements of operations.

Under the acquisition method of accounting, the total purchase price was allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair values, with the remainder allocated to goodwill. Goodwill is deductible for tax purposes. The final allocation of the total purchase price to the net assets acquired and liabilities assumed and included in the Company's consolidated balance sheet at March 31, 2015 is as follows:

Cash and cash equivalents	\$ 77,020
Accounts receivable	253,193
Prepaid expenses and other current assets	467
Property and equipment	7,130
Identifiable intangible assets	532,000
Goodwill	398,467
Total assets acquired	<u>1,268,277</u>
Accounts payable and accrued liabilities	243,937
Total liabilities assumed	<u>243,937</u>
Net assets acquired	<u>\$ 1,024,340</u>

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The intangible assets acquired consisted of the following:

	Life (Yrs.)	Additions
Medicare license	Indefinite	\$ 462,000
Trade name	5	51,000
Non-compete agreements	5	<u>19,000</u>
		\$ 532,000

The fair value of the Medicare license was determined based on the present value of a five year projected opportunity cost of not being able to operate with a Medicare license using a discount rate of 13%. The trade name was computed using the relief from royalty method, assuming a 1% royalty rate, and the non-compete agreements were valued using a with-and-without method.

Holistic Health Home Health Care Inc.

Subject to the terms and conditions of that certain Stock Purchase Agreement (the "HCHHA Agreement"), dated October 27, 2014, by and among ApolloMed Palliative, the sole shareholder of HCHHA, and HCHHA, ApolloMed Palliative agreed to purchase all of the remaining shares of HCHHA for \$300,000 in cash and \$43,286 of equity consideration in APS, subject to reduction if HCHHA's working capital was less than \$50,000 as of the closing of the transaction. ApolloMed Palliative agreed to pay a contingent payment of up to a further \$150,000 (the "HCHHA Contingent Payment"). The HCHHA Contingent Payment will be paid in two installments of \$75,000 to the seller within sixty days of each of the first and second anniversaries of the transaction, and is contingent upon, as of each applicable date, the seller's employment continuing or having been terminated without cause and the seller meeting certain productivity targets. The contingent payments were accounted for as compensation consideration and will be accrued ratably over the term of the agreement. For the years ended March 31, 2016 and 2015, \$79,147 and \$41,245 were expensed and as of March 31, 2016 and 2015, \$31,250 and \$41,245 were included in accounts payable and accrued liabilities, respectively.

The Company accounted for the acquisition as a business combination using the acquisition method of accounting which requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the purchase date and be recorded on the balance sheet. The process for estimating the fair values of identifiable intangible assets involves the use of significant estimates and assumptions, including estimating future cash flows and developing appropriate discount rates. The value of the 3% equity interest in APS of \$43,286 was determined by aggregating the fair value of BCHC and HCHHA which are the only assets in APS and applying the 3% ownership interest in APS to the aggregated amount. The acquisition-date fair value of the consideration transferred was as follows:

Cash consideration	\$ 300,000
Fair value of equity consideration	43,286
Working capital adjustment	<u>(21,972)</u>
	\$ 321,314

Transaction costs are not included as a component of consideration transferred and were expensed as incurred. The related transaction costs expensed for the year ended March 31, 2015 were approximately \$16,000 and are included in general and administrative expenses in the consolidated statements of operations.

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Under the acquisition method of accounting, the total purchase price was allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair values, with the remainder allocated to goodwill. Goodwill is not deductible for tax purposes.

The final allocation of the total purchase price to the net assets acquired and liabilities assumed and included in the Company's consolidated balance sheet at March 31, 2015 is as follows:

Cash and cash equivalents	\$ (37,087)
Accounts receivable	149,599
Property and equipment	3,035
Identifiable intangible assets	284,000
Goodwill	268,989
Total assets acquired	668,536
Accounts payable and accrued liabilities	232,570
Deferred tax liability	114,652
Total liabilities assumed	347,222
Net assets acquired	\$ 321,314

The intangible assets acquired consisted of the following:

	<u>Life (Yrs.)</u>	<u>Additions</u>
Medicare license	Indefinite	\$ 242,000
Trade name	5	38,000
Non-compete agreements	5	4,000
		\$ 284,000

The fair value of the Medicare license was determined based on the present value of a five year projected opportunity cost of not being able to operate with a Medicare License using a discount rate of 16.0%. The trade name was computed using the relief from royalty method, assuming a 1% royalty rate, and the non-compete agreements were valued using a with-and-without method.

SCHC

On July 22, 2014, pursuant to a Stock Purchase Agreement dated as of July 21, 2014 (the "Purchase Agreement") by and among the SCHC, a Medical Corporation that provides professional medical services in Los Angeles County, California, the shareholders of SCHC (the "Sellers") and a Company affiliate, SCHC Acquisition, A Medical Corporation (the "Affiliate"), solely owned by Dr. Warren Hosseinion as physician shareholder and the Chief Executive Officer of the Company, the Affiliate acquired all of the outstanding shares of capital stock of SCHC from the Sellers. The purchase price for the shares was (i) \$2,000,000 in cash, (ii) \$428,391 to pay off and discharge certain indebtedness of SCHC (iii) warrants to purchase up to 100,000 shares of the Company's common stock at an exercise price of \$10.00 per share and (iv) a contingent amount of up to \$1,000,000 payable, if at all, in cash. The acquisition was funded by an intercompany loan from AMM, which also provided an indemnity in favor of one of the Sellers relating to certain indebtedness of SCHC that remained outstanding following the closing of the acquisition. Following the acquisition of SCHC, the Affiliate was merged with and into SCHC, with SCHC being the surviving corporation. The indebtedness of SCHC was paid off following the acquisition and did not remain outstanding as of December 31, 2014.

In connection with the acquisition of SCHC, AMM entered into a management services agreement with the Affiliate on July 21, 2014. As a result of the Affiliate's merger with and into SCHC, SCHC is now the counterparty to this management services agreement and bound by its terms. Pursuant to the management services agreement, AMM will manage all non-medical services for SCHC, will have exclusive authority over all non-medical decision making related to the ongoing business operations of SCHC, and is the primary beneficiary of SCHC, and the financial statements of SCHC will be consolidated as a variable interest entity with those of the Company from July 21, 2014.

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company accounted for the acquisition as a business combination using the acquisition method of accounting which requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the purchase date and be recorded on the balance sheet. The process for estimating the fair values of identifiable intangible assets involves the use of significant estimates and assumptions, including estimating future cash flows and developing appropriate discount rates. The acquisition-date fair value of the consideration transferred was as follows:

Cash consideration	\$ 2,428,391
Fair value of warrant consideration	<u>132,000</u>
	<u><u>\$ 2,560,391</u></u>

The fair value of the warrant consideration of \$132,000 was classified as equity, and was determined using the Black-Scholes option pricing model using the following inputs: share price of \$5.40 (adjusted for a lack of control discount), exercise price of \$1.00, expected term of 4 years, volatility of 54% and a risk free interest rate of 1.35%.

A contingent payment obligation of \$1,000,000 was considered a post-combination transaction and therefore is recorded as post-combination compensation expense over the term of the arrangement and not as purchase consideration. The compensation expense will be accrued in each reporting period based upon achievement of certain physician productivity measures through June 30, 2016. Approximately \$470,000 and \$375,000 has been expensed during the years ended March 31, 2016 and 2015 of which \$0 and \$125,000 was included in accounts payable and accrued liabilities as of March 31, 2016 and 2015, respectively.

Transaction costs are not included as a component of consideration transferred and were expensed as incurred. The related transaction costs expensed for the year ended March 31, 2015 were approximately \$124,000, and are included in general and administrative expenses in the consolidated statements of operations.

Under the acquisition method of accounting, the total purchase price was allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair values, with the remainder allocated to goodwill. Goodwill is not deductible for tax purposes. The final allocation of the total purchase price to the net assets acquired and liabilities assumed and included in the Company's consolidated balance sheet at March 31, 2015 is as follows:

Cash and cash equivalents	\$ 264,601
Accounts receivable	750,433
Receivable from affiliate	67,714
Prepaid expenses and other current assets	82,430
Property and equipment	607,315
Identifiable intangible assets	416,000
Goodwill	922,734
Other assets	<u>66,762</u>
Total assets acquired	<u>3,177,989</u>
Accounts payable and accrued liabilities	134,426
Note payable to financial institution	463,582
Deferred tax liability	<u>19,590</u>
Total liabilities assumed	<u>617,598</u>
Net assets acquired	<u>\$ 2,560,391</u>

The intangible assets acquired consisted of the following:

	<u>Life (Yrs.)</u>	<u>Additions</u>
Network relationships	5	\$ 220,000
Trade name	5	102,000
Non-compete agreements	3	<u>94,000</u>
		<u><u>\$ 416,000</u></u>

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The network relationships were valued using the multi-period excess earnings method based on projected revenue and earnings over a 5 year period. The trade name was computed using the relief from royalty method, assuming a 1% royalty rate, and the non-compete agreements were valued using a with-and-without method.

AKM

In May 2014, AMM entered into a management services agreement with AKM Acquisition Corp, Inc. ("AKMA"), a newly-formed provider of physician services and an affiliate of the Company owned by Dr. Warren Hosseinion as a physician shareholder, to manage all non-medical services for AKMA. AMM has exclusive authority over all non-medical decision making related to the ongoing business operations of AKMA and is the primary beneficiary; consequently, AMM consolidated the revenue and expenses of AKMA from the date of execution of the management services agreements. On May 30, 2014, AKMA entered into a stock purchase agreement (the "AKM Purchase Agreement") with the shareholders of AKM Medical Group, Inc. ("AKM"), a Los Angeles, CA-based independent practice association. Immediately following the closing, AKMA merged with and into AKM, with AKM being the surviving entity and assuming the rights and obligations under the management services agreement. Under the AKM Purchase Agreement all of the issued and outstanding shares of capital stock of AKM were acquired for approximately \$280,000, of which \$140,000 was paid at closing and \$136,822 (the "Holdback Liability") is payable, if at all, subject to the outcome of incurred but not reported risk-pool claims and other contingent claims that existed at the acquisition date.

Under the AKM Purchase Agreement, former shareholders of AKM are entitled to be paid the Holdback Amount of up to approximately \$376,000 within 6 months of the Closing Date. No later than 30 days after the six month period, AKM will prepare a closing statement which will state the actual cash position (as defined ("Actual Cash Position")) of AKM. If the actual cash position of AKM is less than \$461,104 (the "Target Amount"), the former shareholders of AKM will pay the difference between the Target Amount and the Actual Cash Position, which will be deducted from the Holdback Amount, but in no case will exceed the amount previously paid to the former shareholders of AKM in connection with the transaction. If the Actual Cash Position exceeds the Target Amount, then that difference will be added to the Holdback Amount. Any indemnification payment made by the former shareholders of AKM will also be paid from the Holdback Amount; if the Holdback Amount is insufficient, the former shareholders of AKM are liable for paying the balance, which cannot exceed amounts previously paid to the former shareholders of AKM under the AKM Purchase Agreement. The Company determined the fair value was determined based on the cash consideration discounted at the Company's cost of debt.

The Company accounted for the acquisition as a business combination using the acquisition method of accounting which requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the purchase date and be recorded on the balance sheet. The process for estimating the fair values of identifiable intangible assets involves the use of significant estimates and assumptions, including estimating future cash flows and developing appropriate discount rates. The acquisition-date fair value of the consideration transferred was as follows:

Cash consideration	\$ 140,000
Holdback consideration paid to seller	140,000
Working capital adjustment paid to seller	<u>236,236</u>
 Total purchase consideration	 <u>\$ 516,236</u>

Under the acquisition method of accounting, the total purchase price was allocated to AKM's net tangible assets based on their estimated fair values as of the closing date, with the remainder allocated to goodwill. Goodwill is not deductible for tax purposes.

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The allocation of the total purchase price to the net assets acquired and included in the Company's consolidated balance sheet is as follows:

Cash consideration	\$ 140,000
Holdback consideration	<u>376,236</u>
Total consideration	<u><u>\$ 516,236</u></u>
Cash and cash equivalents	\$ 356,359
Marketable securities	389,094
Accounts receivable	31,193
Prepaid expenses and other current assets	26,311
Intangibles	213,000
Goodwill	83,943
Accounts payable and accrued liabilities	(40,439)
Deferred tax liability	(84,847)
Medical payables	<u>(458,378)</u>
Net assets acquired	<u><u>\$ 516,236</u></u>

The intangible assets acquired consisted of the following:

	<u>Life (Yrs.)</u>	<u>Additions</u>
Payor relationships	5	\$ 107,000
Trade name	4	66,000
Non-compete agreements	3	<u>40,000</u>
		<u><u>\$ 213,000</u></u>

During the fourth quarter of fiscal 2016, management determined that the remaining carrying value of the goodwill and intangible assets was not recoverable (see Note 4).

Transaction costs are not included as a component of consideration transferred and were expensed as incurred. The related transaction costs expensed for the year ended March 31, 2015 were approximately \$37,000.

During fiscal 2016, the Company combined the operations of AKM into those of MMG.

Pro Forma Financial Information

The results of operations for BCHC, HCHHA, AKM and SCHC are included in the consolidated statements of operations from the acquisition date of each. The pro forma results of operations are prepared for comparative purposes only and do not necessarily reflect the results that would have occurred had the acquisitions occurred at the beginning of the years presented or the results which may occur in the future. The following unaudited pro forma results of operations for the year ended March 31, 2015 assume the BCHC, HCHHA, AKM and SCHC acquisitions had occurred on April 1, 2014:

	<u>Year Ended</u>
	<u>March 31, 2015</u>
	<u>(Unaudited)</u>
Net revenue	\$ 37,036,240
Net loss	\$ (2,244,224)
Basic and diluted loss per share	\$ (0.46)

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

From the applicable closing date to March 31, 2015, revenues and net loss related to AKM, SCHC, BHC and HCHHA included the accompanying consolidated statements of operations were \$7,149,889 and \$(568,269), respectively.

4. Goodwill and Intangible Assets

Goodwill

The following is a summary of goodwill activity:

Balance at April 1, 2014		\$ 494,700
Acquisition of BHC		398,467
Acquisition of HCHHA		268,989
Acquisition of SCHC		922,734
Acquisition of AKM		83,943
Balance at March 31, 2015		<u>2,168,833</u>
Impairment loss in AKM and decrease from disposal of ACC assets		(546,350)
Balance at March 31, 2016		<u>\$ 1,622,483</u>

Intangible Assets, Net

Intangible assets, net consisted of the following:

	Weighted Average Life (Yrs)	Gross March 31, 2015	Additions	Impairment/ Disposal	Gross March 31, 2016	Accumulated Amortization	Net March 31, 2016
Indefinite Lived Assets:							
Medicare License	N/A	\$ 704,000	\$ -	\$ -	\$ 704,000	\$ -	\$ 704,000
Acquired Technology	5	-	1,312,500	-	1,312,500	-	1,312,500
Amortized intangible assets:							
Exclusivity	4	40,000	-	(40,000)	-	-	-
Non-compete	4	185,400	-	(68,400)	117,000	(58,738)	58,262
Payor relationships	5	107,000	-	(107,000)	-	-	-
Network relationships	5	220,000	-	-	220,000	(73,333)	146,667
Trade name	5	257,000	-	(66,000)	191,000	(59,217)	131,783
		\$ 1,513,400	\$ 1,312,500	\$ (281,400)	\$ 2,544,500	\$ (191,288)	\$ 2,353,212

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Weighted Average Life (Yrs)	Gross April 1, 2014	Additions	Gross March 31, 2015	Accumulated Amortization	Net March 31, 2015
Indefinite Lived Assets:						
Medicare License	N/A	\$ -	\$ 704,000	\$ 704,000	\$ -	\$ 704,000
Acquired Technology	5	-	-	-	-	-
Amortized intangible assets'						
Exclusivity	4	40,000	-	40,000	(15,940)	24,060
Non-compete	4	28,400	157,000	185,400	(41,428)	143,972
Payor relationships	5	-	107,000	107,000	(16,050)	90,950
Network relationships	5	-	220,000	220,000	(29,333)	190,667
Trade name	5	-	257,000	257,000	(33,392)	223,608
		\$ 68,400	\$ 1,445,000	\$ 1,513,400	\$ (136,143)	\$ 1,377,257

Included in depreciation and amortization on the consolidated statements of operations is amortization expense of approximately \$186,000 and \$127,000 for the years ended March 31, 2016 and 2015.

On March 1, 2016, the Company sold substantially all the assets of ACC to an unrelated third party. In connection with the sale, the Company received cash of \$10,000 and issued a note receivable in the amount of \$51,000, of which \$5,000 was repaid prior to year end. The Company recognized a loss on disposal of \$476,745 related to this transaction, which included the write-off of the remaining goodwill and intangible assets of ACC in the amount of \$461,500 and \$27,427, respectively. In addition, management determined that the remaining goodwill and intangible assets of AKM in the amount of 83,943 and \$123,342, respectively, was not recoverable. Accordingly, the Company recorded an impairment charge in the aggregate amount of \$207,285 for the year ended March 31, 2016.

Future amortization expense is estimated to be approximately as follows for each for the five years ending March 31 thereafter:

2017	\$ 381,000
2018	360,000
2019	349,000
2020	297,000
2021	<u>262,000</u>
	 <u>\$ 1,649,000</u>

The acquired technology of \$1,312,500 was placed into service in April 2016 and the related amortization has been included in the table above from that date.

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

	<u>For The Years Ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
Accounts payable	\$ 2,036,615	\$ 1,366,207
Physician share of MSSP	62,000	62,000
Accrued compensation	2,156,339	1,469,132
Income taxes payable	110,653	185,051
Accrued interest	4,500	55,529
Accrued professional fees	<u>202,200</u>	<u>202,675</u>
	 <u>\$ 4,572,307</u>	 <u>\$ 3,340,594</u>

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Notes and Lines of Credit Payable

Notes and lines of credit payable consist of the following:

	For The Years Ended March 31,	
	2016	2015
Term loan payable to NNA due March 28, 2019, net of debt discount of \$0 (March 31, 2016) and \$1,060,401 (March 31, 2015). This loan was paid-off in October 2015.	\$ -	\$ 5,467,098
Line of credit payable to NNA due March 28, 2019. This loan was paid-off in October 2015	-	1,000,000
Hendel \$100,000 revolving line of credit due to financial institution, bears interest at prime plus 4.5% (8.0% and 7.75%, respectively, interest only payable monthly and matures in March 31, 2017.	88,764	94,764
BAHA \$150,000 line of credit due to a financial institution, bears interest at prime rate plus 3% (6.5% and 6.25%, respectively), interest only payable monthly and matures in March 2017.	100,000	-
Less: current	\$ 188,764	\$ 6,561,862
	(188,764)	(327,141)
Noncurrent portion	\$ -	\$ 6,234,721

NNA Credit Agreements

In 2013, the Company entered into a \$2.0 million secured revolving credit facility (the "Revolving Credit Agreement") with NNA, an affiliate of Fresenius Medical Care Holdings, Inc. On December 20, 2013, the Company entered into the First Amendment to the Credit Agreement (the "Amended Credit Agreement"), which increased the revolving credit facility from \$2 million to \$4 million. This facility was repaid in October 2015, as explained in more detail below.

2014 NNA Financing

On March 28, 2014, the Company entered into a Credit Agreement (the "Credit Agreement") pursuant to which NNA, extended to the Company (i) a \$1,000,000 revolving line of credit (the "Revolving Loan") and (ii) a \$7,000,000 term loan (the "Term Loan"). The Company drew down the full amount of the Revolving Loan on October 23, 2014. The Term Loan and Revolving Loan were both originally scheduled to mature on March 28, 2019, subject to NNA's right to accelerate payment on the occurrence of certain events. The Term Loan may be prepaid at any time without penalty or premium. The loans made under the Credit Agreement were secured by substantially all of the Company's assets, and were guaranteed by the Company's subsidiaries and consolidated medical corporations. The guarantees of these subsidiaries and consolidated entities were in turn secured by substantially all of the assets of the subsidiaries and consolidated entities providing the guaranty.

Concurrently with the Credit Agreement, the Company also entered into a Pledge and Security Agreement with NNA (the "Pledge and Security Agreement"), whereby all of the issued and outstanding shares, interests or other equivalents of capital stock of a direct subsidiary of the Company (not including any entity that carries on the practice of medicine) were considered pledged interests. Pledged interests as of the date of the Pledge and Security Agreement included 100% of AMM, PCCM, VMM common stock and 72.77% of ApolloMed ACO common stock.

Concurrently with the Credit Agreement, the Company also entered into the Investment Agreement with NNA, pursuant to which the Company issued to NNA, an 8% Convertible Note in the original principal amount of \$2,000,000 (the "Convertible Note"). The Company drew down the full principal amount of the Convertible Note on July 30, 2014 (see Note 7). The Convertible Note would have matured on March 28, 2019, subject to NNA's right to accelerate payment on the occurrence of certain events. The Company could redeem amounts outstanding under the Convertible Note on 60 days' prior notice to NNA. Amounts outstanding under the Convertible Note were convertible at NNA's sole election into shares of the Company's common stock at an initial conversion price of \$10.00 per share. The Company's obligations under the Convertible Note were guaranteed by its subsidiaries and consolidated medical corporations.

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Under the Investment Agreement, the Company issued to NNA warrants to purchase up to 300,000 shares of the Company's common stock at an initial exercise price of \$10.00 per share and warrants to purchase up to 200,000 shares of the Company's common stock at an initial exercise price of \$20.00 per share (collectively, the "Warrants").

The Term Loan accrued interest at a rate of 8.0% per annum. A portion of the principal amount of the Term Loan was repaid on the last business day of each calendar quarter, the Term Loan provided for quarterly payments of \$87,500 in the first year, \$122,500 in the second year, \$122,500 in the third year, \$175,000 in the fourth year, and \$210,000 in the fifth year.

The Revolving Loan bore interest at the rate of three month LIBOR plus 6% per annum. The Company had borrowed \$1,000,000 under the Revolving Loan at March 31, 2015.

The Company incurred \$235,119 in third party costs related to the 2014 NNA financing, which were allocated to the related debt and equity instruments based on their relative fair values, of which \$176,218 was classified as deferred financing costs and amortized over the life of the loan using the effective interest method.

On October 14, 2015, the Company entered into the Agreement with NMM pursuant to which the Company sold NMM 1,111,111 units, each Unit consisting of one share of Preferred Stock and one Warrant, for a total purchase price of \$10,000,000, the proceeds of which were used by the Company primarily to repay the Revolving Loan and Term Loan owed by the Company to NNA and the balance the Company used for working capital purposes (see Note 9). The Company repaid approximately \$7.5 million of the then outstanding NNA debt obligations and recorded a loss on debt extinguishment of approximately \$266,000 related to this transaction.

Other Lines of Credit

LALC has a line of credit of \$230,000 that accrues interest at a rate of 5% per annum. The Company has borrowed zero under this line of credit as of March 31, 2016 and the line is auto-renewed on an annual basis.

Interest expense associated with the notes payable and lines of credit consisted of the following:

	For The Years Ended March 31,	
	2016	2015
Interest expense	\$ 323,708	\$ 595,067
Amortization of loan fees and discount, net of out of period adjustment (Note 12)	<u>(141,066)</u>	<u>288,053</u>
	\$ 182,642	\$ 883,120

7. Convertible Notes Payable

Convertible notes payable consist of the following:

	For The Years Ended March 31,	
	2016	2015
9% Senior Subordinated Convertible Notes due February 15, 2016, net of debt discount of \$0 (March 31, 2016) and \$62,682 (March 31, 2015)	\$ -	\$ 1,037,818
8% Convertible Note Payable to NNA due March 28, 2019, net of debt discount of \$0 (March 31, 2016) and \$985,255 (March 31, 2015)	-	1,014,745
Conversion feature liability	-	442,358
Less current portion	-	2,494,921
Noncurrent	<u>\$ -</u>	<u>(1,037,818)</u>
	\$ -	\$ 1,457,103

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9% Senior Subordinated Convertible Notes due February 15, 2016

The 9% Notes, issued January 31, 2013, bore interest at a rate of 9% per annum, were payable semi-annually on August 15 and February 15, and matured February 15, 2016, and were subordinated. The principal of the 9% Notes, plus any accrued yet unpaid interest, was convertible, at any time by the holder at a conversion price of \$4.00 per share, subject to adjustment for stock splits, stock dividends and reverse stock splits, into shares of the Company's common stock. On 60 days' prior notice, the 9% Notes were callable in full or in part by the Company at any time after January 31, 2015. If the Average Daily Value of Trades ("ADVT") during the prior 90 days as reported by Bloomberg is greater than \$100,000, the 9% Notes were callable at a price of 105% of the 9% Notes' par value, and if the ADVT is less than \$100,000, the 9% Notes were callable at a price of 110% of the 9% Notes' par value.

In connection with the issuance of the 9% Notes in 2013, the holders of the 9% Notes received warrants to purchase 82,500 shares of the Company's common stock at an exercise price of \$4.50 per share, subject to adjustment for stock splits, reverse stock splits and stock dividends, which warrants are exercisable at any date prior to January 31, 2018, and were classified in equity. The \$186,897 fair value of these 9% Notes warrants was based on the Company's closing stock price at the transaction date and inputs to the Black-Scholes option pricing model: term of 5.0 years, risk free rate of 0.70%, and volatility of 36.7%.

Certain holders of the 9% Notes converted an aggregate of approximately \$554,000 of outstanding principal and accrued interest into 138,463 shares of the Company's common stock. Prior to conversion, the Company amortized approximately \$14,000 of related debt discount and deferred financing costs in fiscal 2016.

8% Convertible Note Payable to NNA

The NNA 8% Convertible Note commitment provided for the Company to borrow up to \$2,000,000. On July 31, 2014, the Company exercised its option to borrow \$2,000,000, received \$2,000,000 of proceeds and recorded a debt discount of \$1,065,775 related to the fair value of a conversion feature liability and a warrant liability discussed below. The conversion price was also subject to adjustment in the event of subsequent down-round equity financings, if any, by the Company. The conversion feature included a non-standard anti-dilution feature that has been bifurcated and recorded as a conversion feature liability at the issuance date of \$578,155.

On November 17, 2015, the Company entered into the Conversion Agreement with NNA, Warren Hosseinion and Adrian Vazquez. Pursuant to the Conversion Agreement, the Company agreed to issue 275,000 shares of the Company's Common Stock and to pay accrued and unpaid interest of \$47,112, to NNA in full satisfaction of NNA's conversion and other rights under the 8% Convertible Note dated March 28, 2014, issued by NNA, in the principal amount of \$2,000,000. Pursuant to the Conversion Agreement, the Company also agreed to issue a total of 325,000 shares of the Company's Common Stock to NNA in exchange for all Warrants held by NNA, under which NNA had the right to purchase 300,000 shares of the Company's Common Stock at an exercise price of \$10 per share and 200,000 shares at an exercise price of \$20 per share, in each case subject to anti-dilution adjustments.

On the date of conversion, the fair value of the 600,000 shares of common stock was based on the market price of the stock of \$6.00 per share, less a 15% discount for marketability or \$3,060,000 at \$5.10 per share. The fair value of all the existing warrants held by NNA and of the conversion feature liability, converted in exchange for the 600,000 shares of common stock, was \$1,624,029 and \$482,904, respectively. These amounts together with the carrying amount of the 8% convertible note and accrued interest of approximately \$1,124,000 resulted in a gain of approximately \$171,000 which is included as an off-set in the net loss on debt extinguishment of approximately \$266,000 in the consolidated statements of operations.

Interest expense associated with the convertible notes payable consisted of the following:

	For The Years Ended March 31,	
	2016	2015
Interest expense	\$ 171,027	\$ 209,369
Amortization of loan fees and discount	<u>188,627</u>	<u>233,918</u>
	<hr/> \$ 359,654	<hr/> \$ 443,287

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Income Taxes

(Benefit) provision of Income taxes consists of the following:

	For The Years Ended March 31,	
	2016	2015
Current:		
Federal	\$ (9,979)	\$ 147,945
State	66,678	67,769
	<u>56,699</u>	<u>215,714</u>
Deferred:		
Federal	(81,277)	(36,390)
State	(46,459)	(15,532)
	<u>(127,736)</u>	<u>(51,922)</u>
(Benefit) provision for income taxes	\$ (71,037)	\$ 163,792

The Company uses the liability method of accounting for income taxes as set forth in ASC 740. Under the liability method, deferred taxes are determined based on differences between the financial statement and tax bases of assets and liabilities using enacted tax rates. As of March 31, 2016, the Company had federal and California tax net operating loss carryforwards of approximately \$12.2 million and \$12.3 million, respectively. The federal and California net operating loss carryforwards will expire at various dates from 2026 through 2036. Pursuant to Internal Revenue Code Sections 382 and 383, use of the Company's net operating loss and credit carryforwards may be limited if a cumulative change in ownership of more than 50% occurs within any three-year period since the last ownership change. The Company may have had a change in control under these Sections. However, the Company does not anticipate performing a complete analysis of the limitation on the annual use of the net operating loss and tax credit carryforwards until the time that it projects it will be able to utilize these tax attributes.

Significant components of the Company's deferred tax assets (liabilities) as of March 31, 2016 and March 31, 2015 are shown below. A valuation allowance of \$8,369,878 and \$4,447,029 as of March 31, 2016 and March 31, 2015, respectively, has been established against the Company's deferred tax assets as realization of such assets is uncertain. The Company's effective tax rate is different from the federal statutory rate of 34% due primarily to operating losses that receive no tax benefit as a result of a valuation allowance recorded for such losses.

Deferred tax assets (liabilities) consist of the following:

	For The Years Ended March 31,	
	2016	2015
Deferred tax assets (liabilities):		
State taxes	\$ 15,114	\$ 17,062
Stock options	2,617,037	2,177,276
Accrued payroll and related costs	16,222	1,529
Accrued hospital pool deficit	329,430	-
Net operating loss carryforward	4,754,165	2,208,522
Property and equipment	1,588	(3,170)
Acquired intangible assets	65,748	(194,883)
Other	<u>527,095</u>	<u>69,478</u>
Net deferred tax assets (liabilities) before valuation allowance	8,326,399	4,275,814
Valuation allowance	<u>(8,369,878)</u>	<u>(4,447,029)</u>
Net deferred tax liabilities	\$ (43,479)	\$ (171,215)

APOLLO MEDICAL HOLDINGS, INC.
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The provision for income taxes differs from the amount computed by applying the federal income tax rate as follows:

	For The Years Ended March 31,	
	2016	2015
Tax provision at U.S. Federal statutory rates	34.0%	34.0%
State income taxes net of federal benefit	(0.3)%	(3.2)%
Nondedeductible permanent items	(0.7)%	(5.9)%
Nontaxable entities	5.4%	(4.3)%
Other	1.9%	0.5%
Change in valuation allowance	<u>(39.4)%</u>	<u>(34.9)%</u>
Effective income tax rate	0.9%	(13.8)%

As of March 31, 2016 and March 31, 2015, the Company does not have any unrecognized tax benefits related to various federal and state income tax matters. The Company will recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense.

The Company is subject to U.S. federal income tax as well as income tax of multiple state tax jurisdictions. The Company and its subsidiaries' state income tax returns are open to audit under the statute of limitations for the years ended January 31, 2012 through 2016. The Company does not anticipate material unrecognized tax benefits within the next 12 months.

9. Stockholders' Equity

Reverse Stock Split

On April 24, 2015, the Company filed an amendment to its articles of incorporation to effect a 1-for-10 reverse stock split of its common stock, effective April 27, 2015. All share and per share amounts relating to the common stock, stock options and warrants to purchase common stock, including the respective exercise prices of each such option and warrant, and the conversion ratio of the Notes included in the financial statements and footnotes have been retroactively adjusted to reflect the reduced number of shares resulting from this action. The par value and the number of authorized, but unissued, shares were not adjusted as a result of the reverse stock split. No fractional shares will be issued following the reverse stock split and the Company has paid cash in lieu of any fractional shares resulting from the reverse stock split.

Preferred Stock – Series A

On October 14, 2015, Company entered into an agreement (the "Agreement") with NMM pursuant to which the Company sold to NMM, and NMM purchased from the Company, in a private offering of securities, 1,111,111 units, each unit consisting of one share of the Company's Preferred Stock (the "Series A") and a stock purchase warrant to purchase one share of the Company's common stock at an exercise price of \$9.00 per share. NMM paid the Company an aggregate \$10,000,000 for the units, the proceeds of which were used by the Company primarily to repay certain outstanding indebtedness owed by the Company to NNA and the balance for working capital.

The Series A has a liquidation preference in the amount of \$9.00 per share plus any declared and unpaid dividends. The Preferred Stock can be voted for the number of shares of Common Stock into which the Series A could then be converted, which initially is one-for-one. The Series A is convertible into Common Stock, at the option of NMM, at any time after issuance at an initial conversion rate of one-for-one, subject to adjustment in the event of stock dividends, stock splits and certain other similar transactions.

At any time prior to conversion and through the Redemption Expiration Date (as described below), the Series A may be redeemed at the option of NMM, on one occasion, in the event that the Company's net revenues for the four quarters ending September 30, 2016, as reported in its periodic filings under the Securities Exchange Act of 1934, as amended, are less than \$60,000,000. In such event, the Company shall have up to one year from the date of the notice of redemption by NMM to redeem the Series A, the warrants and any shares of Common Stock issued in connection with the exercise of any warrants theretofore (collectively the "Redeemed Securities"), for the aggregate price paid therefor by NMM, together with interest at a rate of 10% per annum from the date of the notice of redemption until the closing of the redemption. Any mandatory conversion described previously shall not take place until such time as it is determined that that conditions for the redemption of the Redeemed Securities have not been satisfied or, if such conditions exist, NMM has decided not to have such securities redeemed. As the redemption feature is not solely within the control of the Company, the Series A does not qualify as permanent equity and has been classified as mezzanine or temporary equity.

APOLLO MEDICAL HOLDINGS, INC.
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The common stock warrants may be exercised at any time after issuance and through October 14, 2020, for \$9.00 per share, subject to adjustment in the event of stock dividends and stock splits. The warrants are not separately transferable from the Preferred Stock. The warrants are subject to redemption in the event the Preferred Stock is redeemed by NMM, as described above. Accordingly, the Company has accounted for such warrants as liabilities and has marked such liability to its fair value at March 31, 2016. The Company determined the fair value of the warrant liability to be \$2,922,222 at inception which was estimated using the Monte Carlo valuation model (see Note 2) with the value of the Series A being the residual value of \$7,077,778.

Without the written consent of NMM, between the Closing Date and the nine-month anniversary of the Closing Date, the Company shall not acquire, sell all or substantially all of its assets to, effect a change of control, or merge, combine or consolidate with, any other Person engaged in the business of being a MSO, ACO or IPA, or enter into any agreement with respect to any of the foregoing.

Preferred Stock – Series B

On March 30, 2016, Company entered into an agreement with NMM pursuant to which the Company sold to NMM, and NMM purchased from the Company, in a private offering of securities, 555,555 units, each Unit consisting of one share of the Company's Series B Preferred Stock ("Series B") and a warrant to purchase one share of the Company's common stock at an exercise price of \$10.00 per share. NMM paid the Company an aggregate \$4,999,995 for the units. The proceeds were allocated to each Series B units and Series B warrants based upon their relative fair values as each class of securities met the requirements for permanent equity classification. The estimated fair value of the units was estimated using a Black-Scholes equity allocation option pricing method. The Company used a comparable company lookback volatility rate of 65.8%, and a risk-free rate of 1.2% - commensurate with the expected term of 5-years. In valuing the Series B warrants, the Company used a comparable company lookback volatility rate of 65.8%, and a risk-free rate of 1.2% - commensurate with the expected term of 5-years.

The Preferred Stock has a liquidation preference in the amount of \$9.00 per share plus any declared and unpaid dividends. The Series B can be voted for the number of shares of Common Stock into which the Preferred Stock could then be converted, which initially is one-for-one. The Preferred Stock is convertible into Common Stock, at the option of NMM or mandatorily at any time prior to and including March 30, 2021, if the Company receives aggregate gross proceeds of not less than \$5,000,000 in one or more transactions (other than transactions with NMM), at an initial conversion rate of one-for-one, subject to adjustment in the event of stock dividends, stock splits and certain other similar transactions.

The warrants may be exercised at any time after issuance and through March 30, 2021, for \$10.00 per share, subject to adjustment in the event of stock dividends and stock splits

Repurchase of Common Stock

On October 23, 2014, the Company entered into a Settlement Agreement with Raouf Khalil ("Khalil") whereby the Company reconveyed to Khalil all of the shares of Aligned Healthcare, Inc. ("AHI") common stock that the Company acquired from Khalil under the Stock Purchase Agreement, dated as of February 15, 2011 (the "Purchase Agreement"). In addition, in consideration of a \$10,000 cash payment, Khalil reconveyed to the Company 50,000 shares of the Company's common stock, constituting all of the remaining shares that he still owned that were issued to him under the Purchase Agreement. Following these reconveyances, the Company no longer owns any of the outstanding shares of AHI's capital stock, and neither Khalil nor any of the other Aligned Affiliates own any shares of the Company's capital stock.

Equity Incentive Plans

The Company's amended 2010 Equity Incentive Plan (the "2010 Plan") allowed the Board to grant up to 1,200,000 shares of the Company's common stock, and provided for awards including incentive stock options, non-qualified options, restricted common stock, and stock appreciation rights. As of March 31, 2016, there were no shares available for grant.

On April 29, 2013 the Company's Board of Directors approved the Company's 2013 Equity Incentive Plan (the "2013 Plan"), pursuant to which 500,000 shares of the Company's common stock were reserved for issuance thereunder. The Company received approval of the 2013 Plan from the Company's stockholders on May 19, 2013. The Company issues new shares to satisfy stock option and warrant exercises under the 2013 Plan. As of March 31, 2016 there were no shares available for future grants under the 2013 Plan.

APOLLO MEDICAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On December 15, 2015, the Company's Board of Directors approved the Company's 2015 Equity Incentive Plan (the "2015 Plan"), pursuant to which 1,500,000 shares of the Company's common stock were reserved for issuance thereunder and provides for awards, including incentive stock options, non-qualified options, restricted common stock, and stock appreciation rights. The Company will seek approval of the 2015 Plan from its stockholders at the next meeting of stockholders and must receive such approval prior to December 15, 2016 or the 2015 Plan will be null and void and any grants made under the 2015 Plan will be canceled. As the Company's board of directors controls approximately 62% of the ownership interest in the Company, stockholder approval of the 2015 Plan is considered perfunctory and accordingly the options were deemed to be granted as of the date of the board approval. As of March 31, 2016, there were approximately 1,126,000 shares available for future grants under the 2015 Plan.

Share Issuances

A summary of the Company's restricted stock issued to employees, directors and consultants with a right of repurchase of unexpired or unvested shares is as follows:

	Weighted-Average Remaining Vesting Life		Weighted-Average Per Share	
	Shares	(In Years)	Intrinsic Value	Grant Date Fair Value
Unvested or unexpired shares at April 1, 2014	90,741	1.3	\$ -	\$ 4.10
Granted	-	-	-	-
Vested/lapsed	(78,519)	-	-	-
Forfeited	-	-	-	-
Unvested or unexpired shares at March 31, 2015	12,222	0.3	0.50	4.10
Granted	-	-	-	-
Vested/lapsed	(12,222)	-	-	-
Forfeited	-	-	-	-
Unvested or unexpired shares at March 31, 2016	-	-	-	-

Options

In July 2014, the Company issued 56,500 options to acquire the Company's common stock to certain employees and consultants. The Company determined that the weighted average fair value of the options of \$2.80 per share using the Black-Scholes method with the following weighted-average inputs: term of 6 years, risk free rate of 1.63%, no dividends, volatility of 63.7%, exercise price of \$10.00 per share, share price of \$5.90 per share.

In October 2014, in connection with services provided to the Company, the Company issued to various employees and consultants options to purchase an aggregate of 7,500 shares of common stock of the Company, which options have an exercise price of \$10.00 and vest evenly and monthly over a three year period. The Company determined that the weighted average fair value of the options of \$1.70 per share using the Black-Scholes method with the following weighted-average inputs: term of 6 years, risk free rate of 1.62%, no dividends, volatility of 62.9%, share price of \$4.30 per share.

On various dates in October, November and December 2014, in connection with services provided to the Company, the Company issued to a certain consultant options to purchase an aggregate of 1,500 shares of common stock of the Company, which options have an exercise price of \$10.00 and vested upon grant. The Company determined that the weighted average fair value of the options of \$1.50 per share using the Black-Scholes method with the following weighted-average inputs: term of 6 years, risk free rate of 1.62%, no dividends, volatility of 62.9%, share price of \$3.90 per share.

APOLLO MEDICAL HOLDINGS, INC.
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On November 18, 2014, in connection with services provided to the Company, the Company issued options to purchase 10,000 shares of common stock of the Company to an employee, which options have an exercise price of \$10.00 and vest evenly and monthly over a one year period. The Company determined that the weighted average fair value of the options of \$1.80 per share using the Black-Scholes method with the following weighted-average inputs: term of 6 years, risk free rate of 1.47%, no dividends, volatility of 62.1%, share price of \$4.60 per share.

On December 13, 2014, in connection with services provided to the Company, the Company issued to various physicians and consultants options to purchase 10,000 shares of common stock of the Company, which options have an exercise price of \$10.00 and vest evenly and monthly over a three year period. The Company determined that the weighted average fair value of the options of \$1.50 per share using the Black-Scholes method with the following weighted-average inputs: term of 6 years, risk free rate of 1.62%, no dividends, volatility of 62.9%, share price of \$3.90 per share.

In December 2014, the Company issued 6,000 options to an employee. The Company determined that the weighted average fair value of the options of \$1.20 using the Black Scholes method with the following inputs: term of 6 years / risk free rate of 1.47%, no dividends, volatility of 62.1%, and an exercise price of \$10.00 share price of \$3.46. These options vest evenly over 3 years.

In June 2014, the Company issued 40,000 options to an employee. The Company determined that the weighted average fair value of the options of \$1.60 using the Black Scholes method using the following inputs: term of 6 years, risk free rate of 1.62%, no dividends, volatility factor of 62.9%, exercise price of \$9.00 per share, share price of \$4.00 per share. These options vest evenly over 3 years.

On various dates in January, February and March 2015, in connection with services provided to the Company, the Company issued to certain consultants and employees options to purchase an aggregate of 30,500 shares of common stock of the Company, which options have an exercise price of \$10.00 and vested upon grant. The Company determined that the weighted average fair value of the options of \$1.10 per share using the Black Scholes method with the following weighted average inputs: term 6 years, risk free rate of 1.48%, no dividends, weighted average volatility factor of 62.1%, share price of \$3.40 per share.

During January and February 2016, the Company issued options to purchase an aggregate of 374,150 shares of the Company's common stock to certain employees and consultants. The options have exercise prices ranging from \$5.79 - \$6.37 and vesting terms between immediate through three years. The Company determined the weighted average fair value of the options of \$5.21 per share using the Black Scholes option pricing model with the following assumptions: term of six years, risk free rate of 1.31% - 1.94%, no dividends, average volatility of 133% and a share price \$5.79 per share.

Stock option activity is summarized below:

	Shares	Weighted-Average Per Share Exercise Price	Weighted-Average Remaining Life (Years)	Weighted-Average Per Share Intrinsic Value
Balance, April 1, 2014	628,700	\$ 2.00	8.70	\$ 1.10
Granted	162,000	10.00	-	-
Cancelled/expired	(14,200)	-	-	-
Exercised	-	-	-	-
Balance, March 31, 2015	776,500	4.69	7.40	1.50
Granted	374,150	5.97	-	-
Cancelled/expired	(86,500)	2.63	-	-
Exercised	-	-	-	-
Balance, March 31, 2016	1,064,150	\$ 4.27	7.94	\$ 2.27
Vested and exercisable, March 31, 2016	814,802	\$ 2.67	6.99	\$ 3.84

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ApolloMed ACO 2012 Equity Incentive Plan

On October 18, 2012 ApolloMed ACO's Board of Directors adopted the ApolloMed Accountable Care Organization, Inc. 2012 Equity Incentive Plan (the "ACO Plan") and reserved 9,000,000 shares of ApolloMed ACO's common stock for issuance thereunder. The purpose of the ACO Plan is to encourage selected employees, directors, consultants and advisers to improve operations and increase the profitability of ApolloMed ACO and encourage selected employees, directors, consultants and advisers to accept or continue employment or association with ApolloMed ACO.

The following table summarizes the restricted stock award in the ACO Plan:

	Shares	Remaining Vesting Life (Years)	Weighted-Average Per Share Fair Value
Balance, April 1, 2014	3,752,000	0.8	\$ 0.03
Granted	184,000	-	0.77
Released	<u>(183,996)</u>	-	<u>0.03</u>
Balance, March 31, 2015	3,752,004	0.1	0.07
Granted	-	-	-
Released	<u>-</u>	<u>-</u>	<u>-</u>
Balance, March 31, 2016	<u>3,752,004</u>	<u>-</u>	<u>\$ 0.07</u>
Vested and exercisable, end of year	<u>3,752,004</u>	<u>-</u>	<u>\$ 0.07</u>

Awards of restricted stock under the ACO Plan vest (i) one-third on the date of grant; (ii) one-third on the first anniversary of the date of grant, if the grantee has remained in service continuously until that date; and (iii) one-third on the second anniversary of the date of grant if the grantee has remained in service continuously until that date.

As of March 31, 2016, total unrecognized compensation costs related to non-vested stock-based compensation arrangements granted under the Company's 2010 and 2013 Equity Plans, and the ACO Plans are as follows:

Common stock options	\$ 1,143,280
Restricted stock	\$ -
ACO Plan restricted stock	\$ -

The weighted-average period of years expected to recognize these compensation costs is 1.3 years.

Stock-based compensation expense related to common stock and common stock option awards is recognized over their respective vesting periods and was included in the accompanying consolidated statement of operations as follows:

	<u>For The Years Ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
Stock-based compensation expense:		
Cost of services	\$ 4,959	\$ 13,376
General and administrative	<u>1,099,017</u>	<u>1,245,472</u>
	<u>\$ 1,103,976</u>	<u>\$ 1,258,848</u>

APOLLO MEDICAL HOLDINGS, INC.
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Warrants

Warrants consisted of the following:

	<u>Weighted-Average Per Share Intrinsic Value</u>	<u>Number of Warrants</u>		
Outstanding at April 1, 2014	\$ 0.20	714,500		
Granted	-	200,000		
Exercised	-	-		
Cancelled	-	-		
 Outstanding at March 31, 2015	 0.46	 914,500		
Granted	-	1,676,666		
Exercised	-	(500,000)		
Cancelled	-	-		
 Outstanding at March 31, 2016	 \$ 3.12	 2,091,166		
<u>Exercise Price Per Share</u>	<u>Warrants Outstanding</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Warrants Exercisable</u>	<u>Weighted Average Exercise Price Per Share</u>
\$1.15	150,000	0.33	150,000	\$ 0.08
\$4.00-\$5.00	164,500	1.36	164,500	0.35
\$9.00-\$10.00	1,776,666	4.54	1,776,666	7.96
 \$1.15-\$10.00	 2,091,166	 3.99	 2,091,166	 \$ 8.39

In connection with the 2014 NNA financing, NNA received warrants to purchase up to 200,000 shares of the Company's common stock at an exercise price of \$10.00 per share and up to 200,000 shares at an exercise price of \$20.00 per share, subject to adjustment for stock splits, reverse stock splits and stock dividends, and which are exercisable after March 28, 2017 and before March 28, 2021. The warrants also contained down-round protection under which the exercise price of the warrants is subject to adjustment in the event the Company issues future common shares at a price below \$9.00 per share. Following the funding of the Convertible Note on July 30, 2014, additional warrants to purchase up to 100,000 shares of the Company's common stock at an exercise price of \$10.00 per share were issued and were exercisable after March 28, 2017 and before March 28, 2021 (see Note 6). All of which were exercised during fiscal 2016 (see Note 7).

On July 21, 2014, in connection with the SCHC acquisition, the Company issued warrants to purchase up to 100,000 shares of the Company's common stock at an exercise price of \$10.00 per share. The warrants are exercisable at any date prior to July 21, 2018.

On October 15, 2015, in connection with the NMM financing the Company issued a 5 year stock warrant to purchase up to 1,111,111 shares of common stock at an exercise price of \$9.00 per share, which is the only warrant classified as a liability warrant. (see Note 9).

On March 30, 2016, in connection with the NMM financing the Company issued a 5 year stock warrant to purchase up to 555,555 shares of common stock at an exercise price of \$10.00 per share (see Note 9).

APOLLO MEDICAL HOLDINGS, INC.
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Authorized Stock

At March 31, 2016 the Company was authorized to issue up to 100,000,000 shares of common stock. The Company is required to reserve and keep available out of the authorized but unissued shares of common stock such number of shares sufficient to effect the conversion of all outstanding preferred stock, the exercise of all outstanding warrants exercisable into shares of common stock, and shares granted and available for grant under the Company's stock option plans. The amount of shares of common stock reserved for these purposes is as follows at March 31, 2016:

Common stock issued and outstanding	5,876,852
Warrants outstanding	2,091,166
Stock options outstanding	1,064,150
Preferred stock	<u>1,666,666</u>
	 <u>10,698,834</u>

10. Commitments and Contingencies

Lease commitments

The Company's headquarters are located at 700 North Brand Boulevard, Suite 1400, Glendale, California 91203. Under the original lease of the premises, the Company occupied space in Suite 220. On October 14, 2014, the Company's lease was amended by a Second Amendment (the "Second Lease Amendment"), pursuant to which the Company relocated its corporate headquarters to a larger suite in the same office building in October 2015. The Second Lease Amendment relocates the leased premises from Suite No. 220 to Suite Nos. 1400, 1425 and 1450, which collectively include 16,484 rentable square feet (the "New Premises"). The New Premises were improved with an allowance of \$659,360, provided by the landlord, for construction and installation of equipment for the New Premises. The Second Lease Amendment also extends the term of the lease to for approximately six years after the company occupies the New Premises and increases the Company's security deposit. The Second Lease Amendment sets the New Premises base rent at \$37,913 per month for the first year and schedules annual increases in base rent each year until the final rental year, which is capped at \$43,957 per month. However, the base rent will be abated by up to \$228,049 subject to other terms of the lease. At March 31, 2016 and 2015, deferred rent liability associated with the Company's leases was \$728,877 and \$11,610, respectively.

Future minimum rental payments required under the operating leases are as follows:

Year ending March 31,

2017	\$ 812,000
2018	932,000
2019	949,000
2020	934,000
2021	944,000
Thereafter	<u>1,711,000</u>
	 <u>\$ 6,282,000</u>

Rent expense recorded was as follows:

	For The Years Ended March 31,	
	2016	2015
Rent expense	\$ 888,278	\$ 685,579

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Regulatory Matters

Laws and regulations governing the Medicare program and healthcare generally are complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medi-Cal programs.

As a risk-bearing organization, the Company is required to follow regulations of the California Department of Managed Health Care ("DMHC"). The Company must comply with a minimum working capital requirement, Tangible Net Equity ("TNE") requirement, cash-to-claims ratio and claims payment requirements prescribed by the DMHC. TNE is defined as net assets less intangibles, less non-allowable assets (which include amounts due from affiliates), plus subordinated obligations. The DMHC determined that, as of February 28, 2016, MMG, was not in compliance with the DMHC's positive TNE requirement for a Risk Bearing Organization ("RBO"). As a result, the DMHC required MMG to develop and implement a corrective action plan ("CAP") for such deficiency. CAP has been submitted and is under review by DMHC.

Many of the Company's payer and provider contracts are complex in nature and may be subject to differing interpretations regarding amounts due for the provision of medical services. Such differing interpretations may not come to light until a substantial period of time has passed following contract implementation. Liabilities for claims disputes are recorded when the loss is probable and can be estimated. Any adjustments to reserves are reflected in current operations.

Legislation and HIPAA

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

The Company believes that it is in compliance with fraud and abuse regulations as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Health Insurance Portability and Accountability Act ("HIPAA") assures health insurance portability, reduces healthcare fraud and abuse, guarantees security and privacy of health information, and enforces standards for health information. The Health Information Technology for Economic and Clinical Health Act ("HITECH Act") expanded upon HIPAA in a number of ways, including establishing notification requirements for certain breaches of protected health information. In addition to these federal rules, California has also developed strict standards for the privacy and security of health information as well as for reporting certain violations and breaches. The Company may be subject to significant fines and penalties if found not to be compliant with these state or federal provisions.

Affordable Care Act

The Patient Protection and Affordable Care Act ("PPACA") will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation required the establishment of health insurance exchanges, which will provide individuals without employer-provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible that the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

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Legal

On May 16, 2014, Lakeside Medical Group, Inc. and Regal Medical Group, Inc., two independent physician associations who compete with the Company in the greater Los Angeles area, filed an action against the Company and two affiliates of the Company, MMG and AMEH, in Los Angeles County Superior Court. The complaint alleged that the Company and its two affiliates made misrepresentations and engaged in other acts in order to improperly solicit physicians and patient-enrollees from Plaintiffs. The Complaint sought compensatory and punitive damages. On June 30, 2014, the Company and its affiliates filed a motion requesting the Court to stay the court proceeding and order the parties to arbitrate this dispute subject to existing arbitration agreements. On August 11, 2014, the Plaintiffs filed a request for dismissal without prejudice of the action. On August 12, 2014, the Plaintiffs served the Company and its affiliates with Demands for Arbitration before Judicial Arbitration Mediation Services ("JAMS") in Los Angeles. The Company is currently examining the merits of the claims to be arbitrated, and it is too early to state whether the likelihood of an unfavorable outcome is probable or remote, or to estimate the potential loss if the outcome should be negative. The Company is aware that punitive damages previously sought in the court proceeding are not available in arbitration. The Company and its affiliates are preparing a defense to the allegations and the Company intends to vigorously defend the action.

On August 28, 2014, Lakeside Medical Group, Inc. and Regal Medical Group, Inc., filed a similar lawsuit against Warren Hosseinion, the Company's Chief Executive Officer. Dr. Hosseinion is defending the action and is currently being indemnified by the Company subject to the terms of an indemnification agreement and the Company's charter. The Company has an existing Directors and Officers insurance policy. On September 9, 2014, Dr. Hosseinion filed a motion requesting the Court to stay the court proceeding and, pursuant to existing arbitration agreements, order the parties to arbitrate the dispute as part of the pending arbitration proceedings before JAMS (as discussed above). On October 29, 2014, the Plaintiffs filed a request for dismissal without prejudice of the action. On November 13, 2014, Plaintiffs served Dr. Hosseinion with Demands for Arbitration before JAMS in Los Angeles, and on November 19, 2014, the parties agreed to consolidate the two proceedings against Dr. Hosseinion with the two existing proceedings against the Company and its affiliates. The parties are currently pursuing mediation of the dispute. The Company continues to examine the merits of the claims to be arbitrated against Dr. Hosseinion, and it is too early to state whether the likelihood of an unfavorable outcome is probable or remote, or to estimate the potential loss if the outcome should be negative. The Company is aware that punitive damages previously sought in the court proceeding against Dr. Hosseinion are not available in arbitration.

In the ordinary course of the Company's business, the Company becomes involved in pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice related to medical services provided by the Company's affiliated hospitalists. The Company may also become subject to other lawsuits which could involve significant claims and/or significant defense costs. The Company believes, based upon the Company's review of pending actions and proceedings, that the outcome of such legal actions and proceedings will not have a material adverse effect on the Company's business, financial condition, results of operations, or cash flows. The outcome of such actions and proceedings, however, cannot be predicted with certainty and an unfavorable resolution of one or more of them could have a material adverse effect on the Company's business, financial condition, results of operations, or cash flows in a future period.

Liability Insurance

The Company believes that the Company's insurance coverage is appropriate based upon the Company's claims experience and the nature and risks of the Company's business. In addition to the known incidents that have resulted in the assertion of claims, the Company cannot be certain that the Company's insurance coverage will be adequate to cover liabilities arising out of claims asserted against the Company, the Company's affiliated professional organizations or the Company's affiliated hospitalists in the future where the outcomes of such claims are unfavorable. The Company believes that the ultimate resolution of all pending claims, including liabilities in excess of the Company's insurance coverage, will not have a material adverse effect on the Company's financial position, results of operations or cash flows; however, there can be no assurance that future claims will not have such a material adverse effect on the Company's business.

Although the Company currently maintains liability insurance policies on a claims-made basis, which are intended to cover malpractice liability and certain other claims, the coverage must be renewed annually, and may not continue to be available to the Company in future years at acceptable costs, and on favorable terms.

Employment and Consulting Agreements

On March 28, 2014, AMM entered into substantially similar employment agreements with each of Warren Hosseinion, M.D., the Company's Chief Executive Officer (the "Hosseinion Employment Agreement") and Adrian Vazquez, M.D., the Company's Chief Medical Officer (individually, the "Vazquez Employment Agreement" and, together with the Hosseinion Employment Agreement, the "Executive Employment Agreements"), pursuant to which Drs. Hosseinion and Vazquez have agreed to serve as senior executives of AMM. Each of the Executive Employment Agreements provides for (i) base salary of \$200,000 per year; (ii) participation in any incentive compensation plans and stock plans of AMM that are available to other similarly positioned employees of AMM; and (iii) reimbursement of expenses incurred on behalf of AMM.

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AMM has the right under the Hosseinion Employment Agreement to terminate Dr. Hosseinion, and the right under the Vazquez Employment Agreement, for cause if, among other things, there is a material and uncured breach by Dr. Hosseinion or Dr. Vazquez, as the case may be, of any of the following agreements: (i) their respective Hospitalist Participation Agreement (defined below) or other employment agreement with AMH; (ii) that certain Stockholder Agreement dated as of March 28, 2014, by and among Dr. Hosseinion, Adrian Vazquez, M.D., NNA, AMM and the Company (the "Stockholder Agreement"); (iii) any Physician Shareholders Agreements in favor of AMM or the Company, for the account of each of ACC, MMG and AMH. If either Dr. Hosseinion's or Dr. Vazquez's employment is terminated by AMM without cause, or Dr. Hosseinion or Dr. Vazquez terminates his employment for good reason, or AMM provides notice of intent not to renew, Dr. Hosseinion or Dr. Vazquez, as the case may be, is entitled, subject to entering into a binding release, to be paid severance of an amount equal to four weeks of his most recent base salary for every full year of his active employment by AMM, but such amount is to be no less than six months' worth and no more than one year's worth of his most recent base salary. The Hosseinion Employment Agreement replaced, and thereby terminated, the prior employment agreement between AMM and Dr. Hosseinion, and the Vazquez Employment Agreement replaced, and thereby terminated, the prior employment agreement between AMM and Dr. Vazquez.

On January 12, 2016, AMM entered into a First Amendment to Employment Agreement with each of Dr. Hosseinion (the "Hosseinion Amendment") and Dr. Vazquez (individually, the "Vazquez Amendment" and, together with the Vazquez Amendment, the "Executive Amendments"). The Executive Amendments amend the Executive Employment Agreements to which they relate and provide (i) for the payment of an incentive bonus in the amount of \$30,000 to Dr. Hosseinion and \$15,000 to Dr. Vazquez, and (ii) that unused paid time off (up to 20 days per year) will be paid in cash.

On March 28, 2014, AMH also entered into substantially similar Hospitalist Participation Service Agreements with each of Dr. Hosseinion (the "Hosseinion Hospitalist Participation Agreement") and Dr. Vazquez (individually, the "Vazquez Hospitalist Participation Agreement" and, together with the Hosseinion Hospitalist Participation Agreement, the "Hospitalist Participation Agreements"), pursuant to which Drs. Hosseinion and Vazquez provide physician services for AMH. Each of the Hospitalist Participation Agreements provides for (i) base salary of \$195,000 per year; (ii) a \$55,000 annual car and communications allowance; and (iii) reimbursement of reasonable business expenses. The Hosseinion Hospitalist Participation Agreement replaced, and thereby terminated, the prior hospitalist participation service agreement between AMH and Dr. Hosseinion, and the Vazquez Hospitalist Participation Agreement replaced, and thereby terminated, the prior hospitalist participation service agreement between AMH and Dr. Vazquez.

As a condition of the Company causing the Company's affiliates to enter into the Executive Employment Agreements and the Hospitalist Participation Agreements, also on March 28, 2014 the Company entered into substantially similar stock option agreements with each of Dr. Hosseinion (the "Hosseinion Stock Option Agreement") and Dr. Vazquez (individually, the "Vazquez Stock Option Agreement" and, together with the Hosseinion Stock Option Agreement, the "Executive Stock Option Agreements"). Each Executive Stock Option Agreement provides that Dr. Hosseinion or Dr. Vazquez grant the Company the option to purchase (at fair market value) all equity interests in the Company held by Dr. Hosseinion or Dr. Vazquez, as the case may be, in the event that (i) their respective Hospitalist Participation Agreement or Executive Employment Agreement is terminated by the Company for cause due to a willful or intentional breach by Dr. Hosseinion or Dr. Vazquez, as the case may be; (ii) Dr. Hosseinion or Dr. Vazquez commits fraud or any felony against the Company or any of the Company's affiliates; (iii) Dr. Hosseinion or Dr. Vazquez directly or indirectly solicits any patients, customers, clients, employees, agents or independent contractors of the Company or any of the Company's affiliates for competitive purposes; or (iv) Dr. Hosseinion or Dr. Vazquez directly or indirectly Competes (as such term is defined in the Executive Stock Option Agreements) with the Company or any of the Company's affiliates.

On January 15, 2015, the Company entered into a Consulting and Representation Agreement (the "2015 Augusta Consulting Agreement") with Flacane Advisors, Inc. ("Flacane"), which was effective from January 15, 2015, superseded the prior agreement with Flacane and remained in effect until March 31, 2015 and continued until December 31, 2015 unless was sooner replaced by a new agreement. Under the Augusta Consulting Agreement, Flacane was paid \$25,000 per month and was also eligible to receive options to purchase shares of the Company's common stock as determined by the Company's Board of Directors. Flacane, through the services of Mr. Augusta, provides business and strategic services and made Mr. Augusta available to serve as the Company's Executive Chairman of the Board of Directors.

On January 12, 2016, the Company entered into a Consulting Agreement with Flacane (the "2016 Augusta Consulting Agreement") to replace the substantially similar 2015 Augusta Consulting that expired by its terms on December 31, 2015. Under the 2016 Augusta Consulting Agreement, Flacane received a signing bonus of \$30,000, is paid \$25,000 per month and is also eligible to receive options to purchase shares of the Company's common stock as determined by the Company's Board of Directors. Flacane, through the services of Mr. Augusta, continue to provide business and strategic services and makes Mr. Augusta available to serve as the Company's Executive Chairman of the Board of Directors.

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Effective as of March 7, 2012, Mr. Augusta was first appointed to the Company's Board of Directors. In connection with his service as a director, Mr. Augusta entered into a director agreement, which provides for Mr. Augusta to be a director and entitled Mr. Augusta to acquire 40,000 shares of the Company's common stock at a price of \$0.01 per share. The Company had the right, but not the obligation, to repurchase those shares, which right lapsed monthly at a rate of 1/36 per month over a three-year period and has now fully lapsed.

11. Related Party Transactions

On January 15, 2015, AMM entered into a Consulting and Representation Agreement (the "2015 Augusta Consulting Agreement") with Flacane Advisors, Inc. (the "Augusta Consultant"), which was effective from January 15, 2015, superseded the prior agreement with the Augusta Consultant, and remained in effect until March 31, 2015 and was in place through December 31, 2015. On January 12, 2016, the Company entered into a new consulting agreement with Mr. Gary Augusta, the President of Flacane Advisors, Inc. and the Company's Executive Chairman of the Board of Directors (the "2016 Augusta Consulting Agreement") to replace the substantially similar 2015 Augusta Consulting Agreement that expired by its terms on December 31, 2015. Under the 2016 Augusta Consulting Agreement, the Augusta Consultant is paid \$25,000 per month to provide business and strategic services to the Company; and Augusta Consultant is also eligible to receive options to purchase shares of the Company's common stock as determined by the Company's Board of Directors. In addition, Mr. Augusta is subject to a Directors Agreement with the Company dated March 7, 2012. During the years ended March 31, 2016 and 2015, the Company incurred approximately \$770,000 and \$65,000, respectively, of an aggregate of consulting expense and reimbursement of out of pocket expenses in connection with the 2015 Augusta Consulting Agreement and 2016 Augusta Consulting Agreement. The Company owed the Augusta Consultant approximately \$9,500 and \$0, at March 31, 2016 and 2015, respectively.

During the year ended March 31, 2016, the Company raised approximately \$15 million in connection with the sale of shares of Series A and Series B preferred stock and warrants from NMM in which Dr. Thomas Lam, one of the Company's directors is a significant shareholder (see Note 9).

As of March 31, 2016, accounts payable in the consolidated balance sheet include \$104,500 for principal and accrued interest owed to a 9% note holder who is also a shareholder of the Company.

In September 2015, the Company entered into a note receivable with Rob Mikitarian, a minority owner in APS, in the amount of approximately \$150,000. The note accrues interest at 3% per annum and is due on or before September 2017. At March 31, 2016, the balance of the note was approximately \$150,000 and is included in other receivables in the accompanying consolidated balance sheet.

In September 2015, the Company entered into a note receivable with Dr. Liviu Chindris, a minority owner in APS, in the amount of approximately \$105,000. The note accrues interest at 3% per annum and is due on or before September 2017. At March 31, 2016, the balance of the note was approximately \$105,000 and is included in other receivables in the accompanying consolidated balance sheet.

12. Out of period correction

During the quarter ended September 30, 2015, following a review of the terms of certain financial instruments entered into on March 28, 2014, management determined that the warrant liability was incorrectly valued which resulted in certain amounts being incorrectly stated in prior periods. Based on an analysis of the resulting adjustments, management determined that the previously issued consolidated financial statements as of and for the years ended March 31, 2015 and 2014 were not considered to be materially misstated and can continue to be relied upon. Accordingly, the Company recorded an out of period correction in the current year to adjust the valuation of its warrant liability which decreased by approximately \$831,000; unamortized debt discount which decreased by approximately \$764,000, deferred financing costs which increased by approximately \$15,000; interest expense which decreased by approximately \$250,000 and loss on the change in the fair value of warrant which increased by approximately \$168,000. The impact of these adjustments was also not deemed to be material to the year ended March 31, 2016.

13. Subsequent Events

On June 27, 2016, the Board of Directors appointed Warren Hosseinion as the Company's interim Chief Financial Officer while the Company finalizes arrangements to employ a permanent Chief Financial Officer.

On June 28, 2016, NNA and the Company entered into the Third Amendment (the "Third Amendment") to the Registration Rights Agreement dated May 28, 2014, as amended by the First Amendment and Acknowledgement dated as of February 6, 2015, the Second Amendment and Conversion Agreement dated as of November 17, 2015, and the amendments thereto (collectively, the "Registration Agreement"). Pursuant to the Third Amendment, the Company has until April 28, 2017 to register NNA's registrable securities on a registration statement filed with the SEC and the company has until the earlier of (i) October 27, 2017 or (ii) the 5th trading day after the date the Company is notified by the SEC that such registration statement will not be reviewed or will not be subject to further review to have such registration statement declared effective by the SEC. All other provisions of the Registration Agreement remain in full force and effect, including paying NNA liquidated damages of 1.5% of the total purchase price of the registrable securities owned by NNA, payable in shares of the Company's common stock, if the Company does not comply with these deadlines.

The Company entered into restated and amended employment agreements dated as of June 29, 2016 with each of Warren Hosseinion, M.D. and Adrian Vazquez, M.D., Chief Executive Officer and Chief Medical Officer, of the Company respectively. Each of Drs. Hosseinion and Vazquez had previously entered into employment agreements with each of AMM and AMH on March 28, 2014, and each of them had entered into an amendment to their respective employment agreements with AMM on January 12, 2016, the terms of which are summarized under "Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources". The purpose of the amended and restated employment agreements is to align payment and benefit provisions, and make other technical changes, to the employment agreements that were previously in effect.

Under the amended and restated employment agreements with AMM, each of Drs. Hosseinion and Vazquez will be paid a base salary of \$450,000, which is the same base salary as had previously been provided under their respective agreements with AMM and AMH, including a certain guaranteed expense reimbursement under the AMH agreements. Conversely, there is no base salary provided under the amended and restated employment agreements with AMH and the certain guaranteed expense reimbursement has been eliminated from the AMH agreements. In the amended and restated AMH agreements, the base salary provision has been replaced with an hourly rate if and to the extent that Drs. Hosseinion and Vazquez provide physician services, which is not guaranteed.

All other benefits that were previously contained in the AMH agreements have been moved to the amended and restated agreements with AMM.

The calculation of severance payment in the event of a termination without Cause (as defined in the amended and restated agreements with AMM) has been changed. Under the amended and restated agreements with AMM, each of Drs. Hosseinion and Vazquez will continue to be paid severance in the amount of four weeks' pay of their most recent base salary for each year they are employed. However, in the amended and restated employment agreements the definition of base salary has been changed to include aggregate base salary paid from AMM and all its entities, to reflect that Dr. Hosseinion's and Vazquez's services are, in some cases, shared among more than one of the Company's affiliates but provide a common benefit to the Company. Additionally, each of Drs. Hosseinion and Vazquez will receive year-of-service credit for the longest period of time they have been employed by any of the Company's affiliates, to reflect that, as co-founders of the company, Drs. Hosseinion and Vazquez have provided continuous service since founding of the Company notwithstanding the fact that the Company has reorganized to create AMM more recently than the founding of the Company.

Certain other technical changes have been made to the amended and restated employment agreements. All other material provisions of the original AMH agreements and the original AMM agreements, as amended, remain as they were in those agreements.

Exhibit Index

The following exhibits are attached hereto and incorporated herein by reference.

Exhibit No.	Description
2.1	Stock Purchase Agreement dated July 21, 2014 by and between SCHC Acquisition, A Medical Corporation, the Shareholders of Southern California Heart Centers, A Medical Corporation and Southern California Heart Centers, A Medical Corporation (filed as an exhibit to a Quarterly Report on Form 10-Q on August 14, 2014).
3.1	Restated Certificate of Incorporation (filed as an exhibit to a Current Report on Form 8-K on January 21, 2015).
3.2	Certificate of Amendment to Restated Certificate of Incorporation (filed as an exhibit to a Current Report on Form 8-K on April 27, 2015).
3.3	Certificate of Designation of Series A Convertible Preferred Stock (filed as an exhibit to a Current Report on Form 8-K on October 19, 2015)
3.4	Amended and Restated Certificate of Designation of Apollo Medical Holdings, Inc. (filed as an exhibit to a Current Report on Form 8-K on April 4, 2016)
3.5	Restated Bylaws (filed as an exhibit to a Quarterly Report on Form 10-Q on November 16, 2015).
4.1	Form of Investor Warrant, dated October 16, 2009, for the purchase of 2,500 shares of common stock (filed as an exhibit to an Annual Report on Form 10-K/A on March 28, 2012).
4.2	Form of Investor Warrant, dated October 29, 2012, for the purchase of common stock (filed as an exhibit to a Quarterly Report on Form 10-Q on December 17, 2012).
4.3	Form of Amendment to October 16, 2009 Warrant to Purchase Shares of Common Stock, dated October 29, 2012 (filed as an exhibit to a Quarterly Report on Form 10-Q on December 17, 2012).
4.4	Form of 9% Senior Subordinated Callable Convertible Note, dated January 31, 2013 (filed as an exhibit to an Annual Report on Form 10-K on May 1, 2013).
4.5	Form of Investor Warrant for purchase of 3,750 shares of common stock, dated January 31, 2013 (filed as an exhibit to an Annual Report on Form 10-K on May 1, 2013).
4.6	Convertible Note, issued by Apollo Medical Holdings, Inc. to NNA of Nevada, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).
4.7	Common Stock Purchase Warrant to purchase 100,000 shares, issued by Apollo Medical Holdings, Inc. to NNA of Nevada, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).
4.8	Common Stock Purchase Warrant to purchase 200,000 shares, issued by Apollo Medical Holdings, Inc. to NNA of Nevada, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).

4.9 Common Stock Purchase Warrant to purchase 100,000 shares, issued by Apollo Medical Holdings, Inc. to NNA of Nevada, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).

4.10 Common Stock Purchase Warrant to purchase 100,000 shares, issued by Apollo Medical Holdings, Inc. to NNA of Nevada, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).

4.11 Common Stock Purchase Warrant dated October 14, 2015, issued by Apollo Medical Holdings, Inc. to Network Medical Management, Inc. to purchase 1,111,111 shares of common stock (filed as an exhibit to a Current Report on Form 8-K on April 4, 2016).

4.12 Common Stock Purchase Warrant dated March 30, 2016, issued by Apollo Medical Holdings, Inc. to Network Medical Management, Inc. to purchase 555,555 shares of common stock (filed as an exhibit to a Current Report on Form 8-K on April 4, 2016).

10.1 Agreement and Plan of Merger among Siclone Industries, Inc. and Apollo Acquisition Co., Inc. and Apollo Medical Management, Inc. (filed as an exhibit to a Current Report on Form 8-K on June 19, 2008).

10.2 2010 Equity Incentive Plan (filed as Appendix A to Schedule 14C Information Statement filed on August 17, 2010).

10.3 Board of Directors Agreement dated March 22, 2012, by and between Apollo Medical Holdings, Inc. and Suresh Nihalani (filed as an exhibit to an Annual Report on Form 10-K/A on March 28, 2012).

10.4 2013 Equity Incentive Plan of Apollo Medical Holdings, Inc. dated April 30, 2013 (filed as an exhibit to an Annual Report on Form 10-K on May 8, 2014).

10.5 Board of Directors Agreement dated May 22, 2013 by and between Apollo Medical Holdings, Inc., and David Schmidt (filed as an exhibit to an Annual Report on Form 10-K on May 8, 2014).

10.6 Board of Directors Agreement dated October 17, 2012 by and between Apollo Medical Holdings, Inc., and Mark Meyers (filed as an exhibit to an Annual Report on Form 10-K on May 8, 2014).

10.7 Intercompany Revolving Loan Agreement, dated February 1, 2013, by and between Apollo Medical Management, Inc. and Maverick Medical Group, Inc. (filed as an exhibit to a Quarterly Report on Form 10-Q on June 14, 2013).

10.8 Intercompany Revolving Loan Agreement, dated July 31, 2013 by and between Apollo Medical Management, Inc. and ApolloMed Care Clinic (filed as an exhibit to a Quarterly Report on Form 10-Q on September 16, 2013).

10.9+ Consulting and Representation Agreement between Flacane Advisors, Inc. and Apollo Medical Holdings, Inc., dated January 15, 2015 (filed as an exhibit to a Current Report on Form 8-K on January 21, 2015).

10.10 Intercompany Revolving Loan Agreement dated as of September 30, 2013, between Apollo Medical Management, Inc. and ApolloMed Hospitalists, a Medical Corporation (filed as an exhibit to a Quarterly Report on Form 10-Q on December 20, 2013).

10.11 Form of Settlement Agreement and Release, between Apollo Medical Holdings, Inc. and each of the Holders listed on Exhibit A to the First Amendment, effective December 20, 2013 (filed as an exhibit to a Current Report on Form 8-K on December 24, 2013).

10.12 Credit Agreement, between Apollo Medical Holdings, Inc. and NNA of Nevada, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).

10.13 Investment Agreement, between Apollo Medical Holdings, Inc. and NNA of Nevada, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).

10.14 Collateral Assignment of Physician Shareholder Agreement and Management Agreement, between Apollo Medical Holdings, Inc., Apollo Medical Management, Inc., and NNA of Nevada, Inc., dated March 28, 2014 (acknowledged by ApolloMed Care Clinic, and Warren Hosseinion, M.D.) (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).

10.15 Collateral Assignment of Physician Shareholder Agreement and Management Agreement, between Apollo Medical Holdings, Inc., Apollo Medical Management, Inc., and NNA of Nevada, Inc., dated March 28, 2014 (acknowledged by Maverick Medical Group Inc. and Warren Hosseinion, M.D.) (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).

10.16 Collateral Assignment of Physician Shareholder Agreement and Management Agreement, between Apollo Medical Holdings, Inc., Apollo Medical Management, Inc., and NNA of Nevada, Inc., dated March 28, 2014 (acknowledged by ApolloMed Hospitalists and Warren Hosseinion, M.D.) (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).

10.17 Shareholders Agreement, between Apollo Medical Holdings, Inc., Warren Hosseinion, M.D., Adrian Vazquez, M.D., and NNA of Nevada, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).

10.18 Registration Rights Agreement, between Apollo Medical Holdings, Inc. and NNA of Nevada, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K on March 31, 2014).

10.19+ Employment Agreement, between Apollo Medical Management, Inc. and Warren Hosseinion, M.D., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).

10.20+ Employment Agreement, between Apollo Medical Management, Inc. and Adrian Vazquez, M.D., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).

10.21+ Hospitalist Participation Service Agreement, between ApolloMed Hospitalists and Warren Hosseinion, M.D., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).

10.22+ Hospitalist Participation Service Agreement, between ApolloMed Hospitalists and Adrian Vazquez, M.D., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).

10.23+ Stock Option Agreement, between Warren Hosseinion, M.D. and Apollo Medical Holdings, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).

10.24+ Stock Option Agreement, between Adrian Vazquez, M.D. and Apollo Medical Holdings, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).

10.25 Amended and Restated Management Services Agreement, between Apollo Medical Management, Inc. and ApolloMed Care Clinic, dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).

10.26 Amended and Restated Management Services Agreement, between Apollo Medical Management, Inc. and Maverick Medical Group Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).

10.27 Amended and Restated Management Services Agreement, between Apollo Medical Management, Inc. and ApolloMed Hospitalists, dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).

10.28 Physician Shareholder Agreement, granted and delivered by Warren Hosseinion, M.D., in favor of Apollo Medical Management, Inc. and Apollo Medical Holdings, Inc., for the account of ApolloMed Care Clinic, dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).

10.29 Physician Shareholder Agreement, granted and delivered by Warren Hosseinion, M.D., in favor of Apollo Medical Management, Inc. and Apollo Medical Holdings, Inc., for the account of Maverick Medical Group, Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).

10.30 Physician Shareholder Agreement, granted and delivered by Warren Hosseinion, M.D., in favor of Apollo Medical Management, Inc. and Apollo Medical Holdings, Inc., for the account of ApolloMed Hospitalists, dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).

10.31 Amendment No. 1 to Intercompany Revolving Loan Agreement, between Apollo Medical Management, Inc. and ApolloMed Care Clinic, dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).

10.32 Amendment No. 1 to Intercompany Revolving Loan Agreement, between Apollo Medical Management, Inc. and Maverick Medical Group Inc., dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).

10.33 Amendment No. 1 to Intercompany Revolving Loan Agreement, between Apollo Medical Management, Inc. and ApolloMed Hospitalists, dated March 28, 2014 (filed as an exhibit to a Current Report on Form 8-K/A on April 3, 2014).

10.34+ Board of Directors Agreement dated March 7, 2012 by and between Apollo Medical Holdings, Inc., and Gary Augusta (filed as an exhibit to an Annual Report on Form 10-K on May 8, 2014).

10.35+ Board of Directors Agreement dated February 15, 2012 by and between Apollo Medical Holdings, Inc., and Ted Schreck (filed as an exhibit to an Annual Report on Form 10-K on May 8, 2014).

10.36+ Board of Directors Agreement dated October 22, 2012 by and between Apollo Medical Holdings, Inc., and Mitchell R. Creem (filed as an exhibit to an Annual Report on Form 10-K on May 8, 2014).

10.37+ Consulting Agreement as of May 20, 2014 by and among Apollo Medical Holdings, Inc. and Bridgewater Healthcare Group, LLC (filed as an exhibit to a Current Report on Form 8-K/A on July 3, 2014)

10.38+ Board of Directors Agreement dated May 22, 2013 by and between Apollo Medical Holdings, Inc., and Warren Hosseinion, M.D. (filed as an exhibit to a Current Report on Form 8-K on September 16, 2014)

10.39 Contribution Agreement, dated as of October 27, 2014, by and between Dr. Sandeep Kapoor, M.D, Marine Metspakyany and Apollo Palliative Services LLC (filed as an exhibit to a Current Report on Form 8-K on October 31, 2014).

10.40 Contribution Agreement, dated as of October 27, 2014, by and between Rob Mikitarian and Apollo Palliative Services LLC (filed as an exhibit to a Current Report on Form 8-K on October 31, 2014).

10.41 Membership Interest Purchase Agreement, entered into as of October 27, 2014, by and among Apollo Palliative Services LLC, Apollo Medical Holdings, Inc., Dr. Sandeep Kapoor, M.D., Marine Metspakyany and Best Choice Hospice Care, LLC (filed as an exhibit to a Current Report on Form 8-K on October 31, 2014).

10.42 Stock Purchase Agreement entered into as of October 27, 2014, by and among Apollo Palliative Services LLC, Rob Mikitarian and Holistic Care Home Health Agency, Inc. (filed as an exhibit to a Current Report on Form 8-K on October 31, 2014).

10.43 Second Amendment to Lease Agreement dated October 14, 2014 by and among Apollo Medical Holdings, Inc. and EOP-700 North Brand, LLC (filed as an exhibit on Quarterly Report on Form 10-Q on November 14, 2014).

10.44 Lease Agreement, dated July 22, 2014, by and between Numen, LLC and Apollo Medical Management, Inc. (filed as an exhibit to a Current Report on Form 8-K/A on December 8, 2014).

10.45 First Amendment and Acknowledgement, dated as of February 6, 2015, among Apollo Medical Holdings, Inc., NNA of Nevada, Inc., Warren Hosseinion, M.D. and Adrian Vazquez, M.D. (filed as an exhibit to a Current Report on Form 8-K on February 10, 2015).

10.46+ Board of Directors Agreement dated April 9, 2015 by and between Apollo Medical Holdings, Inc., and Lance Jon Kimmel (filed as an exhibit to a Current Report on Form 8-K on April 13, 2015).

10.47 Amendment to the First Amendment and Acknowledgement, dated as of May 13, 2015, among Apollo Medical Holdings, Inc., NNA of Nevada, Inc., Warren Hosseinion, M.D. and Adrian Vazquez, M.D. (filed as an exhibit to a Current Report on Form 8-K on May 15, 2015).

10.48 Amendment to the First Amendment and Acknowledgement, dated as of July 7, 2015, among Apollo Medical Holdings, Inc., NNA of Nevada, Inc., Warren Hosseinion, M.D. and Adrian Vazquez, M.D. (filed as an exhibit to a Current Report on Form 8-K on July 10, 2015).

10.49 Waiver and Consent dated as of August 18, 2015 between Apollo Medical Holdings, Inc. and NNA of Nevada, Inc. (filed as an exhibit to a Quarterly Report on Form 10-Q on August 19, 2015)

10.50 Securities Purchase Agreement dated October 14, 2015 between Apollo Medical Holdings, Inc. and Network Medical Management, Inc. (filed as an exhibit to a Current Report on Form 8-K on October 19, 2015)

10.51 Second Amendment and Conversion Agreement dated as of November 17, 2015 between Apollo Medical Holdings, Inc., NNA of Nevada, Inc., Warren Hosseinion, M.D. and Adrian Vazquez, M.D. (filed as an exhibit to a Current Report on Form 8-K on November 19, 2015)

10.52+ Board of Directors Agreement between Apollo Medical Holdings, Inc. and Thomas S. Lam, M.D. dated January 19, 2016 (filed as an exhibit to a Current Report on Form 8-K on January 19, 2016)

10.53+ First Amendment to Employment Agreement dated as of January 12, 2016 between Apollo Medical Management, Inc. and Warren Hosseinion, M.D. (filed as an exhibit to a Current Report on Form 8-K on January 19, 2016)

10.54+ First Amendment to Employment Agreement dated as of January 12, 2016 between Apollo Medical Management, Inc. and Adrian Vazquez, M.D. (filed as an exhibit to a Current Report on Form 8-K on January 19, 2016)

10.55+ Consulting Agreement dated January 12, 2016 between Apollo Medical Holdings, Inc. and Flacane Advisors, Inc. (filed as an exhibit to a Current Report on Form 8-K on January 19, 2016)

10.56 Indemnification Agreement effective as of September 21, 2015 between Apollo Medical Holdings, Inc. and William Abbott (filed as an exhibit to a Current Report on Form 8-K on January 19, 2016)

10.57+ Board of Directors Agreement dated January 12, 2016 between Apollo Medical Holdings, Inc. and Mark Fawcett (filed as an exhibit to a Current Report on Form 8-K/A on February 2, 2016)

10.58 Securities Purchase Agreement dated March 30, 2016 between Apollo Medical Holdings, Inc. and Network Medical Management, Inc. (filed as an exhibit to a Current Report on Form 8-K on April 4, 2016)

10.59* 2015 Equity Incentive Plan

10.60* Asset Purchase Agreement dated January 12, 2016 among Apollo Medical Holdings, Inc., Apollo Care Connect, Inc. and Healarium, Inc.

10.61* Amendment No.2 to Intercompany Revolving Loan Agreement dated March 30, 2016 between Apollo Medical Management, Inc. and Maverick Medical Group, Inc.

10.62* Amended and Restated Subordination Agreement between Apollo Medical Management, Inc. and Maverick Medical Group, Inc.

10.63 Stock Purchase Agreement dated as of March 1, 2016 by and among Robert Tracy, D.O., Inc., ApolloMed Care Clinic and Warren Hosseinion, M.D. as nominee for Apollo Medical Management, Inc. (filed as an exhibit to a Current Report on Form 8-K on June 28, 2016)

10.64 Non-Interest Bearing Secured Promissory Note dated March 1, 2016 (filed as an exhibit to a Current Report on Form 8-K on June 28, 2016)

10.65 First Amendment to Stock Purchase Agreement and to Non-Interest Bearing Promissory Note dated as of March 1, 2016 by and among Robert Tracy, D.O., Inc., ApolloMed Care Clinic and Warren Hosseinion, M.D. as nominee for Apollo Medical Management, Inc. (filed as an exhibit to a Current Report on Form 8-K on June 28, 2016)

10.66* Membership Interest Purchase Agreement and Release dated as of December 9, 2015 between Apollo Medical Holdings, Inc., Apollo Medical Management, Inc., Apollo Palliative Services LLC and Sandeep Kapoor, M.D.

10.67+* Amended and Restated Employment Agreement made as of June 29, 2016 by and between Apollo Medical Management, Inc. and Warren Hosseinion, M.D.

10.68+* Amended and Restated Employment Agreement made as of June 29, 2016 by and between Apollo Medical Management, Inc. and Adrian Vazquez, M.D.

10.69+* Amended and Restated Hospitalist Participation Service Agreement made as of June 29, 2016 by and between ApolloMed Hospitalists, a Medical Corporation, and Warren Hosseinion, M.D.

10.70+* Amended and Restated Hospitalist Participation Service Agreement made as of June 29, 2016 by and between ApolloMed Hospitalists, a Medical Corporation, and Adrian Vazquez, M.D.

10.71* Third Amendment dated June 28, 2016 between Apollo Medical Holdings, Inc. and NNA of Nevada, Inc.

21.1* Subsidiaries of Apollo Medical Holdings, Inc.

23.1* Consent of BDO USA, LLP

31.1* Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934

31.2* Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934

32* Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.INS* XBRL Instance Document

101.SCH* XBRL Taxonomy Extension Schema Document

101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF* XBRL Taxonomy Extension Definition Linkbase Document

101.LAB* XBRL Taxonomy Extension Label Linkbase Document

101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

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Filed herewith

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Management contract or compensatory plan, contract or arrangement

APOLLO MEDICAL HOLDINGS, INC.

2015 EQUITY INCENTIVE PLAN

1. Purpose, History and Effective Date.

(a) Purpose. The Apollo Medical Holdings, Inc. 2015 Equity Incentive Plan has two complementary purposes: (i) to attract and retain outstanding individuals to serve as officers, employees, directors or consultants and (ii) to increase stockholder value. The Plan will provide participants incentives to increase stockholder value by offering the opportunity to acquire shares of the Company's common stock or receive monetary payments based on the value of such common stock on the potentially favorable terms that this Plan provides.

(b) History. Prior to the effective date of this Plan, the Company had in effect the 2010 Plan and the 2013 Plan, which were originally effective March 4, 2010 and April 30, 2013, respectively. Upon adoption of this Plan by the Board, no new awards will be granted under the 2013 Plan. No awards have been granted under the 2010 Plan since the effectiveness of the 2013 Plan.

(c) Effective Date. This Plan will become effective, and Awards may be granted under this Plan, on and after the Effective Date; provided, however, that prior to approval of this Plan by the Company's stockholders, but after adoption by the Board, Incentive Stock Options may be granted under this Plan subject to obtaining the stockholders' approval of this Plan; and provided, further, that such stockholder approval must occur no later than 12 months after the date of adoption of this Plan by the Board. This Plan will terminate as provided in Section 14.

2. Definitions. Capitalized terms used in this Plan have the following meanings:

(a) "2010" Plan means the Apollo Medical Holdings, Inc. 2010 Equity Incentive Plan.

(b) "2013 Plan" means the Apollo Medical Holdings, Inc. 2013 Equity Incentive Plan.

(c) "Affiliate" has the meaning ascribed to such term in Rule 12b-2 promulgated under the Exchange Act or any successor rule or regulation thereto.

(d) "Award" means a grant of Options, Stock Appreciation Rights, Performance Shares, Performance Units, Restricted Stock, Restricted Stock Units or Dividend Equivalent Units.

(e) "Award Agreement" means a written agreement, contract, or other instrument or document evidencing the grant of an Award in such form as the Committee determines.

(f) "Board" means the Board of Directors of the Company.

(g) "Change of Control" means the occurrence of any one of the following events:

(i) the consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if more than fifty percent (50%) of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or other reorganization is owned by Persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization;

(ii) the sale, transfer or other disposition of all or substantially all of the Company's assets;

(iii) a change in the composition of the Board, as a result of which fewer than fifty percent (50%) of the incumbent directors are directors who either (A) had been directors of the Company on the date twenty-four (24) months prior to the date of the event that may constitute a Change of Control (the "original directors") or (B) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved; or

(iv) any transaction as a result of which any Person is the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing at least fifty percent (50%) of the total voting power represented by the Company's then outstanding voting securities. For purposes of this paragraph (iv), the term "Person" shall exclude (A) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a Subsidiary and (B) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the common stock of the Company.

A transaction shall not constitute a Change of Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

Notwithstanding anything herein contained to the contrary, with respect to an Award that is or may be considered deferred compensation subject to Code Section 409A, the definition of "Change of Control" herein shall be amended and interpreted in a manner that allows the definition to satisfy the requirements of a change of control under Code Section 409A solely for purposes of complying with the requirements of Code Section 409A.

(h) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a specific provision of the Code includes any successor provision and the regulations promulgated under such provision.

(i) "Committee" means the Compensation Committee of the Board (or a successor committee with the same or similar authority), except as otherwise provided in Section 3(b).

(j) "Company" means Apollo Medical Holdings, Inc., a Delaware corporation, or any successor thereto.

(k) "Director" means a member of the Board, and "Non-Employee Director" means a Director who is not also an employee of the Company or its Subsidiaries.

(l) "Disability" has the meaning ascribed to the term in Code Section 22(e)(3), as determined by the Committee.

(m) "Disinterested Persons" means the "non-employee directors" of the Company as such term is defined in Rule 16b-3.

(n) "Dividend Equivalent Unit" means the right to receive a payment equal to the cash dividends paid with respect to a Share.

(o) "Effective Date" means the earlier to occur of the date this Plan is (i) adopted by the Board or (ii) approved by the Company's stockholders.

(p) "Exchange Act" means the Securities Exchange Act of 1934, as amended. Any reference to a specific provision of the Exchange Act includes any successor provision and the regulations and rules promulgated under such provision.

(q) "Fair Market Value" means, per Share on a particular date, (i) if the Stock is listed for trading on the New York Stock Exchange, the last reported sales price on the date in question as reported in The Wall Street Journal, or if no sales of Stock occur on the date in question, on the last preceding date on which there was a sale on such exchange; or (ii) if the Stock is not listed or admitted to trading on the New York Stock Exchange, the last reported sales price on the date in question on the principal national securities exchange on which the Stock is listed or admitted to trading, or if no sales of Stock occur on the date in question, on the last preceding date on which there was a sale on such exchange; or (iii) if the Stock is not listed or admitted to trading on any national securities exchange, the last sales price on the date in question in the over-the-counter market reported by such reporting system as is then in use, or if no sales of Stock occur on the date in question, on the last preceding date on which there was a sale; or (iv) if on any such date the Stock is not reported on any such system, the last sales price on the date in question as furnished by a professional market making a market in the Stock selected by the Board for the date in question, or if no sales of Stock occur on the date in question, on the last preceding date on which there was a sale; or (v) if on any such date no market maker is making a market in the Stock, the price as determined in good faith by the Committee.

(r) "Incentive Stock Option" means an Option that meets the requirements of Code Section 422.

(s) "Option" means the right to purchase Shares at a specified price during a specified period of time.

(t) "Participant" means an individual selected by the Committee to receive an Award, and includes any individual who holds an Award after the death of the original recipient.

(u) "Performance Goals" means any goals the Committee establishes that relate to one or more of the following for such period as the Committee specifies:

- (i) Revenue;
- (ii) Earnings before interest, taxes, depreciation and amortization, as adjusted (EBITDA as adjusted);
- (iii) Income before income taxes and minority interests;
- (iv) Operating income;
- (v) Pre- or after-tax income;
- (vi) Average accounts receivable;
- (vii) Cash flow;
- (viii) Cash flow per share;
- (ix) Net earnings;
- (x) Basic or diluted earnings per share;
- (xi) Return on equity;
- (xii) Return on assets;
- (xiii) Return on capital;
- (xiv) Growth in assets;
- (xv) Economic value added;
- (xvi) Share price performance;

- (xvii) Total stockholder return;
- (xviii) Improvement or attainment of expense levels;
- (xix) Market share or market penetration; or
- (xx) Business expansion, and/or acquisitions or divestitures.

The Committee may specify at the time an Award is made that the Performance Goals are to be measured for an individual, the Company, for the Company on a consolidated basis, for any one or more Affiliates or divisions of the Company and/or for any other business unit or units of the Company, and/or that the Performance Goals are to be measured either in absolute terms or relative to the performance of one or more comparable companies or an index covering multiple companies. In the case of Awards that the Committee determines will not be considered "performance based compensation" under Code Section 162(m), the Committee may establish other Performance Goals not listed in this Plan.

(v) "Performance Shares" means the right to receive Shares to the extent Performance Goals are achieved.

(w) "Performance Units" means the right to receive a payment, based on a number of units with a specified value, to the extent Performance Goals are achieved.

(x) "Person" has the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 14(d) and 15(d) thereof.

(y) "Plan" means this Apollo Medical Holdings, Inc. 2015 Equity Incentive Plan, as may be amended from time to time.

(z) "Restricted Stock" means Shares that are subject to a risk of forfeiture and/or restrictions on transfer, which may lapse upon the achievement or partial achievement of Performance Goals and/or upon the completion of a period of service.

(aa) "Restricted Stock Unit" means the right to receive a payment which right may vest upon the achievement or partial achievement of Performance Goals and/or upon the completion of a period of service, with each unit having a value equal to the Fair Market Value of one or more Shares, or the average of the Fair Market Value of one or more Shares over such period as the Committee specifies.

(bb) "Retirement" means, unless the Committee determines otherwise in an Award Agreement, termination of employment from the Company and its Affiliates on or after age 65 with five (5) years of continuous service with the Company and its Affiliates.

(cc) "Rule 16b-3" means Rule 16b-3 as promulgated by the United States Securities and Exchange Commission under the Exchange Act.

(dd) "Section 16 Participants" means Participants who are subject to the provisions of Section 16 of the Exchange Act.

(ee) "Share" means a share of Stock.

(ff) "Stock" means the Class A common stock of the Company.

(gg) "Stock Appreciation Right" or "SAR" means the right to receive a payment equal to the appreciation of the Fair Market Value of a Share during a specified period of time.

(hh) "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each such corporation owns stock possessing fifty percent (50%) or more of the total combined voting power in one of the other corporations in the chain.

3. Administration.

(a) Committee Administration. In addition to the authority specifically granted to the Committee in this Plan, the Committee has full discretionary authority to administer this Plan, including but not limited to the authority to (i) interpret the provisions of this Plan, (ii) prescribe, amend and rescind rules and regulations relating to this Plan, (iii) correct any defect, supply any omission, or reconcile any inconsistency in the Plan, any Award or Award Agreement in the manner and to the extent it deems desirable to carry this Plan, such Award or such Award Agreement into effect and (iv) make all other determinations necessary or advisable for the administration of this Plan. All decisions, interpretations and other actions of the Committee shall be final and binding on all Participants and any other individual with a right under the Plan or under any Award.

(b) Delegation to Other Committees or CEO. To the extent applicable law permits, the Board may delegate to another committee of the Board, or the Committee may delegate to a subcommittee or to the Chief Executive Officer of the Company, any or all of the authority and responsibility of the Committee; provided, however, that no such delegation shall be permitted with respect to Awards made to Section 16 Participants. The Board may retain any or all of the authority and responsibility of the Committee, or may delegate to another committee or subcommittee of the Board consisting solely of two or more Disinterested Persons any or all of the authority and responsibility of the Committee, with respect to Section 16 Participants. If the Board or Committee has retained such authority or made such a delegation, then all references to the Committee in this Plan include the Board, such other committee, subcommittee or the Chief Executive Officer to the extent of such retained authority or delegation.

(c) Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or the Committee, the members of the Board and the Committee shall be indemnified by the Company against all costs and expenses reasonably incurred by them in connection with any action, suit or proceeding to which they or any of them may be party by reason of any action taken or failure to act under or in connection with the Plan or any Award, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except a judgment based upon a finding of bad faith; provided that upon the institution of any such action, suit or proceeding a Committee or Board member shall, in writing, give the Company notice thereof and an opportunity, at its own expense, to handle and defend the same before such Committee or Board member undertakes to handle and defend it on such member's own behalf.

4. Eligibility. The Committee may designate any of the following as a Participant from time to time: (i) any officer or other employee of the Company or any of its Affiliates; (ii) an individual that the Company or an Affiliate has engaged to become an officer or other employee; (iii) a Non-Employee Director or (iv) a consultant or advisor who provides bona fide services that are not in connection with the offer or sale of securities in a capital raising transaction, and does not directly or indirectly promote or maintain a market for the Company's securities to the Company or an Affiliate as an independent contractor. The Committee's designation of a Participant in any year will not require the Committee to designate such person to receive an Award in any other year. Notwithstanding the foregoing, each Non-Employee Director automatically will be a Participant with respect to elections to receive Options in lieu of directors' fees pursuant to Section 12.

5. Types of Awards. Subject to the terms of this Plan, the Committee may grant any type of Award to any Participant it selects, but only employees of the Company or a Subsidiary may receive grants of Incentive Stock Options. Awards may be granted alone or in addition to, in tandem with, or in substitution for any other Award (or any other award granted under another plan of the Company or any Affiliate). Awards granted under the Plan shall be evidenced by an Award Agreement except to the extent the Committee provides otherwise.

6. Shares Reserved under this Plan.

(a) Plan Reserve. Subject to adjustment as provided in Section 16, an aggregate of 1,500,000 Shares, plus the number of Shares described in Section 6(c), are reserved for issuance under this Plan. The number of Shares reserved for issuance under this Plan shall be reduced only by the number of Shares delivered in payment or settlement of Awards. Notwithstanding the foregoing, the Company may issue only 1,500,000 Shares upon the exercise of Incentive Stock Options.

(b) Replenishment of Shares Under this Plan. If an Award lapses, expires, terminates or is cancelled without the issuance of Shares under the Award, or if Shares are forfeited under an Award, then the Shares subject to such Award may again be used for new Awards under this Plan under Section 6(a), including issuance upon the exercise of Incentive Stock Options. If Shares are issued under any Award and the Company subsequently reacquires them pursuant to rights reserved upon the issuance of the Shares, or if previously owned Shares are delivered to the Company in payment of the exercise price of an Award or the withholding taxes due as a result of the issuance or receipt of a payment or Shares under an Award, then such Shares may again be used for new Awards under this Plan under Section 6(a), but such Shares may not be issued upon the exercise of Incentive Stock Options.

(c) Addition of Shares from Predecessor Plan. After the Effective Date, if any Shares subject to awards granted under the 2010 Plan or 2013 Plan would again become available for new grants under the terms of such plan, then those Shares will be available for the purpose of granting Awards under this Plan, thereby increasing the number of Shares available for issuance under this Plan as determined under the first sentence of Section 6(a), including with respect to the exercise of Incentive Stock Options. Any such Shares will not be available for future awards under the respective terms of the 2010 Plan and 2013 Plan after the Effective Date.

(d) Participant Limitations. Subject to adjustment as provided in Section 16, with respect to Awards that are intended to qualify as "performance-based compensation" under Code Section 162(m), no Participant may be granted Awards that could result in such Participant:

(i) receiving in any calendar year Options for, and/or Stock Appreciation Rights with respect to, more than 500,000 Shares (reduced, in the initial calendar year in which this Plan is effective, by the number of options granted to a Participant under the 2010 Plan and/or 2013 Plan in such year, if any), except that Options and/or Stock Appreciation Rights granted to a new employee in the calendar year in which his or her employment commences may not relate to more than 1,000,000 Shares;

(ii) receiving in any calendar year Awards of Restricted Stock and/or Restricted Stock Units relating to more than 500,000 Shares;

(iii) receiving in any calendar year Awards of Performance Shares, and/or Awards of Performance Units (the value of which is based on the Fair Market Value of a Share), for more than 500,000 Shares; or

(iv) receiving in any calendar year Awards of Performance Units (the value of which is not based on the Fair Market Value of a Share) that could result in a payment of more than \$500,000.

With respect to Awards that are not intended to meet the requirements of performance- based compensation under Code Section 162(m), the Committee may grant Awards in excess of the limits described in this subsection (d), but only if such discretion would not cause Awards that are intended to be performance-based compensation under Code Section 162(m) from being treated as such.

7. Options. Subject to the terms of this Plan, the Committee shall determine all terms and conditions of each Option, including but not limited to:

- (a) Whether the Option is an Incentive Stock Option, or a "nonqualified stock option" which does not meet the requirements of Code Section 422; provided that in the case of an Incentive Stock Option, if the aggregate Fair Market Value (determined at the time of grant) of the Shares with respect to which all Incentive Stock Options are first exercisable by the Participant during any calendar year (under this Plan and under all other incentive stock option plans of the Company or any Affiliate that is required to be included under Code Section 422) exceeds \$100,000, such Option automatically shall be treated as a nonqualified stock option to the extent this limit is exceeded.
- (b) The number of Shares subject to the Option.
- (c) The exercise price per Share, which may not be less than the Fair Market Value of a Share as determined on the date of grant; provided that (i) no Incentive Stock Option shall be granted to any employee who, at the time the Option is granted, owns (directly or indirectly, within the meaning of Code Section 424(d)) more than ten percent of the total combined voting power of all classes of stock of the Company or of any Subsidiary unless the exercise price is at least 110 percent of the Fair Market Value of a Share on the date of grant; and (ii) the exercise price may vary during the term of the Option if the Committee determines that there should be adjustments to the exercise price relating to achievement of Performance Goals and/or to changes in an index or indices that the Committee determines is appropriate (but in no event may the exercise price per Share be less than the Fair Market Value of a Share as determined on the date of grant).
- (d) The terms and conditions of exercise, which may include a requirement that exercise of the Option is conditioned upon achievement of one or more Performance Goals or may provide for an acceleration of the exercisability upon the Participant's death, Disability or Retirement.
- (e) The termination date, except that each Option must terminate no later than the tenth (10th) anniversary of the date of grant, and each Incentive Stock Option granted to any employee who, at the time the Option is granted, owns (directly or indirectly, within the meaning of Code Section 424(d)) more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any Subsidiary must terminate no later than the fifth (5th) anniversary of the date of grant. Notwithstanding the foregoing, the Committee may extend the term of an Option for up to six (6) months beyond the tenth (10th) anniversary of the date of grant in the event a Participant dies prior to the Option's termination date.
- (f) The exercise period following a Participant's termination of employment or service. In all other respects, the terms of any Incentive Stock Option should comply with the provisions of Code Section 422 except to the extent the Committee determines otherwise.

(g) Notwithstanding anything contained in this Plan to the contrary, the Board as a whole shall pre-approve each option grant to Non-Employee Directors.

8. Stock Appreciation Rights. Subject to the terms of this Plan, the Committee shall determine all terms and conditions of each SAR, including but not limited to:

(a) Whether the SAR is granted independently of an Option or relates to an Option; provided that if an SAR is granted in relation to an Option, then unless otherwise determined by the Committee, the SAR shall be exercisable or shall mature at the same time or times, on the same conditions and to the extent and in the proportion, that the related Option is exercisable and may be exercised or mature for all or part of the Shares subject to the related Option. Upon exercise of any number of SARs, the number of Shares subject to the related Option shall be reduced accordingly and such Option may not be exercised with respect to that number of Shares. The exercise of any number of Options that relate to an SAR shall likewise result in an equivalent reduction in the number of Shares covered by the related SAR.

(b) The number of Shares to which the SAR relates.

(c) The grant price, provided that the grant price shall not be less than the Fair Market Value of the Shares subject to the SAR as determined on the date of grant.

(d) The terms and conditions of exercise or maturity, which may include a provision that accelerates the exercisability of the SAR upon the Participant's death, Disability or Retirement. Notwithstanding the foregoing, unless the Committee determines otherwise in the Award Agreement, if on the date when the SAR expires or otherwise terminates, the grant price for the SAR is less than the Fair Market Value of a Share, then the unexercised portion of the SAR that was exercisable immediately prior to such date shall automatically be deemed exercised.

(e) The term, provided that an SAR must terminate no later than 10 years after the date of grant. Notwithstanding the foregoing, the Committee may extend the term of an SAR for up to six (6) months beyond the tenth (10th) anniversary of the date of grant in the event a Participant dies prior to the SAR's termination date.

(f) Whether the SAR will be settled in cash, Shares or a combination thereof.

(g) Notwithstanding anything contained in this Plan to the contrary, the Board as a whole shall pre-approve each SAR grant to Non-Employee Directors.

9. Performance Awards. Subject to the terms of this Plan, the Committee shall determine all terms and conditions of each award of Performance Shares or Performance Units, including but not limited to:

(a) The number of Shares and/or units to which such Award relates, and with respect to Performance Units, whether the value of each unit will be based on the Fair Market Value of one or more Shares, the average of the Fair Market Value of one or more Shares over such period as the Committee specifies, or such other value as the Committee specifies in the Award Agreement.

(b) One or more Performance Goals that must be achieved during such period as the Committee specifies in order for the Participant to realize the benefit of such Award.

(c) Whether all or a portion of the Performance Goals subject to an Award are deemed achieved upon a Participant's death, Disability or Retirement.

(d) With respect to Performance Units, whether to settle such Award in cash, Shares, or a combination of cash and Shares.

(e) Notwithstanding anything contained in this Plan to the contrary, the Board as a whole shall pre-approve each Award grant under this Section 9 to Non-Employee Directors.

Unless otherwise provided by the Committee, a Participant shall not be entitled to and shall agree to waive or otherwise surrender any rights to receive dividends or dividend equivalents paid with respect to Performance Shares or Performance Units valued in Shares until after the Performance Shares or Performance Units have been earned.

10. Restricted Stock and Restricted Stock Unit Awards.

Subject to the terms of this Plan, the Committee shall determine all terms and conditions of each award of Restricted Stock or Restricted Stock Units, including but not limited to:

(a) The number of Shares and/or units to which such Award relates.

(b) The period of time over which the restrictions imposed on Restricted Stock will lapse and the vesting of Restricted Stock Units will occur, and whether, as a condition for the Participant to realize all or a portion of the benefit provided under the Award, one or more Performance Goals must be achieved during such period as the Committee specifies; provided that, subject to the provisions of Section 10(c), an Award that is subject to the achievement of Performance Goals must have a restriction or vesting period of at least one year, and an Award that is not subject to Performance Goals must have a restriction or vesting period of at least three years. Notwithstanding the foregoing, if the Committee determines in its sole discretion that an Award of Restricted Stock or Restricted Stock Units is granted to a Participant in lieu of cash compensation (including without limitation bonus cash compensation), the Committee may impose such restriction or vesting period on such Award as it determines.

(c) Whether all or any portion of the restrictions or vesting schedule imposed on the Award will lapse or be accelerated upon a Participant's death, Disability or Retirement.

(d) With respect to Restricted Stock Units, whether to settle such Awards in cash, Shares, or a combination of cash and Shares.

(e) With respect to Restricted Stock, the manner of registration of certificates for such Shares, and whether to hold such Shares in escrow pending lapse of the restrictions or to issue such Shares with an appropriate legend referring to such restrictions.

(f) Whether dividends paid with respect to an Award of Restricted Stock will be immediately paid or held in escrow or otherwise deferred and whether such dividends shall be subject to the same terms and conditions as the Award to which they relate.

(g) Notwithstanding anything contained in this Plan to the contrary, the Board as a whole shall pre-approve each grant under this Section 10 to Non-Employee Directors.

11. Dividend Equivalent Units. Subject to the terms and conditions of this Plan, the Committee shall determine all terms and conditions of each award of Dividend Equivalent Units, including but not limited to whether such Award will be granted in tandem with another Award, and the form, timing and conditions of payment.

12. Payment of Directors' Fees in Options. Subject to such restrictions as may be imposed by the Board, a Non-Employee Director may elect to receive all or any portion of his or her annual cash retainer payment from the Company in the form of Options. The number of Options granted as a result of such election shall be determined by multiplying the amount of foregone cash compensation by four (4), and dividing such product by the Fair Market Value of a Share on the date the cash compensation would have otherwise been paid to the Non-Employee Director.

Such Options shall be issued under and subject to the terms of this Plan. An election under this Section 12 shall be filed with the Company on such form and in such manner as the Board determines. The Board as a whole shall pre-approve each option grant under this Section 12.

13. Transferability. Awards are not transferable other than by will or the laws of descent and distribution, unless and to the extent the Committee allows a Participant to: (a) designate in writing a beneficiary to exercise the Award after the Participant's death; or (b) transfer an Award.

14. Termination and Amendment of Plan; Amendment, Modification or Cancellation of Awards.

(a) Term of Plan. This Plan will terminate on the tenth anniversary of the Effective Date unless the Board or Committee earlier terminates this Plan pursuant to Section 14(b).

(b) Termination and Amendment. The Board or the Committee may amend, suspend or terminate this Plan at any time, subject to the following limitations:

(i) the Board must approve any amendment, suspension or termination of this Plan to the extent the Company determines such approval is required by: (A) action of the Board, (B) applicable corporate law, (C) the listing requirements of any principal securities exchange or market on which the Shares are then traded, or (D) any other applicable law;

(ii) stockholders must approve any amendment of this Plan to the extent the Company determines such approval is required by: (A) Section 16 of the Exchange Act, (B) the Code, (C) the listing requirements of any principal securities exchange or market on which the Shares are then traded, or (D) any other applicable law; and

(iii) stockholders must approve any of the following Plan amendments: (A) an amendment to materially increase any number of Shares specified in Section 6(a) or 6(d) (except as permitted by Section 16); or (B) an amendment to the provisions of Section 14(e).

(c) Amendment, Modification or Cancellation of Awards. Except as provided in Section 14(e) and subject to the requirements of this Plan, the Committee may modify or amend any Award or waive any restrictions or conditions applicable to any Award or the exercise of the Award, and the terms and conditions applicable to any Awards may at any time be amended, modified or canceled by mutual agreement between the Committee and the Participant, so long as any amendment or modification does not increase the number of Shares issuable under this Plan (except as permitted by Section 16), but the Committee need not obtain Participant (or other interested party) consent for the cancellation of an Award pursuant to the provisions of Section 16(a) or the modification of an Award to the extent deemed necessary to comply with any applicable law or the listing requirements of any principal securities exchange or market on which the Shares are then traded, or to preserve favorable accounting treatment of any Award for the Company.

(d) Survival of Authority and Awards. Notwithstanding the foregoing, the authority of the Board and the Committee under this Section 14 will extend beyond the date of this Plan's termination. In addition, termination of this Plan will not affect the rights of Participants with respect to Awards previously granted to them, and all unexpired Awards will continue in force and effect after termination of this Plan except as they may lapse or be terminated by their own terms and conditions.

(e) Repricing and Backdating Prohibited. Notwithstanding anything in this Plan to the contrary, and except for the adjustments provided in Section 16, neither the Committee nor any other person may decrease the exercise or grant price for any outstanding Option or SAR after the date of grant, cancel an outstanding Option or SAR in exchange for cash or other Awards (other than cash or other Awards with a value equal to the excess of the Fair Market Value of the Shares subject to such Option or SAR at the time of cancellation over the exercise or grant price for such Shares) or allow a Participant to surrender an outstanding Option or SAR to the Company as consideration for the grant of a new Option or SAR with a lower exercise price. In addition, the Committee may not make a grant of an Option or SAR with a grant date that is effective prior to the date the Committee takes action to approve such Award.

(f) Foreign Participation. To assure the viability of Awards granted to Participants employed in foreign countries, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to, or amendments, restatements or alternative versions of, this Plan as it determines is necessary or appropriate for such purposes. Any such amendment, restatement or alternative versions that the Committee approves for purposes of using this Plan in a foreign country will not affect the terms of this Plan for any other country. In addition, all such supplements, amendments, restatements or alternative versions must comply with the provisions of Section 14(b)(ii).

(g) Recoupment. Any Awards granted pursuant to the Plan, and any Stock issued or cash paid pursuant to an Award, shall be subject to (A) any recoupment, clawback, equity holding, stock ownership or similar policies adopted by the Company from time to time and (B) any recoupment, clawback, equity holding, stock ownership or similar requirements made applicable by law, regulation or listing standards to the Company from time to time.

15. Taxes.

(a) Withholding Right. The Company is entitled to withhold the amount of any tax attributable to any amount payable or Shares deliverable under this Plan after giving the person entitled to receive such amount or Shares notice as far in advance as practicable, and the Company may defer making payment or delivery if any such tax may be pending unless and until indemnified to its satisfaction.

(b) Use of Shares to Satisfy Tax Withholding. A Participant shall have the right to satisfy all or a portion of the federal, state and local withholding tax obligations arising in connection with an Award by electing to (i) have the Company withhold Shares otherwise issuable under the Award, (ii) tender back Shares received in connection with such Award or (iii) deliver other previously owned Shares, in each case having a Fair Market Value equal to the amount to be withheld. However, the amount to be withheld may not exceed the total minimum federal, state and local tax withholding obligations associated with the transaction to the extent required to avoid an expense on the Company's financial statements. The election must be made on or before the date as of which the amount of tax to be withheld is determined and otherwise as the Committee requires.

(c) No Guarantee of Tax Treatment. Notwithstanding any provision of the Plan to the contrary, the Company does not guarantee to any Participant or any other person with an interest in an Award that (i) any Award intended to be exempt from Code Section 409A shall be so exempt, (ii) any Award intended to comply with Code Section 409A or Code Section 422 shall so comply, or (iii) any Award shall otherwise receive a specific tax treatment under any other applicable tax law, nor in any such case will the Company or any Affiliate be obligated to indemnify, defend or hold harmless any individual with respect to the tax consequences of any Award.

(d) Participant Responsibility. If a Participant shall dispose of Stock acquired through exercise of an Incentive Stock Option within either (i) two years after the date the Option is granted or (ii) one year after the date the Option is exercised (i.e., in a disqualifying disposition), such Participant shall notify the Company within seven days of the date of such disqualifying disposition.

16. Adjustment Provisions; Change of Control.

(a) Adjustment of Shares. If the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that the Committee determines an adjustment to be appropriate to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan, then, subject to Participants' rights under Section 16(c), the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares subject to this Plan (including the number and type of Shares described in Sections 6(a) and 6(d)), and which may after the event be made the subject of Awards under this Plan, (ii) the number and type of Shares subject to outstanding Awards, and (iii) the grant, purchase, or exercise price with respect to any Award. In any such case, the Committee may also (or in lieu of the foregoing) make provision for a cash payment to the holder of an outstanding Award in exchange for the cancellation of all or a portion of the Award (without the consent of the holder of an Award) in an amount determined by the Committee effective at such time as the Committee specifies (which may be the time such transaction or event is effective), but if such transaction or event constitutes a Change of Control, then (A) such payment shall be at least as favorable to the holder as the amount the holder could have received in respect of such Award under Section 16(c) and (b) from and after the Change of Control, the Committee may make such a provision only if the Committee determines that doing so is necessary to substitute, for each Share then subject to an Award, the number and kind of shares of stock, other securities, cash or other property to which holders of Stock are or will be entitled in respect of each Share pursuant to the transaction or event in accordance with the last sentence of this subsection (a). However, in each case, with respect to Awards of Incentive Stock Options, no such adjustment may be authorized to the extent that such authority would cause this Plan to violate Code Section 422(b). Further, the number of Shares subject to any Award payable or denominated in Shares must always be a whole number. Without limitation, subject to Participants' rights under Section 16(c), in the event of any reorganization, merger, consolidation, combination or other similar corporate transaction or event, whether or not constituting a Change of Control (other than any such transaction in which the Company is the continuing corporation and in which the outstanding Stock is not being converted into or exchanged for different securities, cash or other property, or any combination thereof), the Committee may substitute, on an equitable basis as the Committee determines, for each Share then subject to an Award, the number and kind of shares of stock, other securities, cash or other property to which holders of Stock are or will be entitled in respect of each Share pursuant to the transaction.

(b) Issuance or Assumption. Notwithstanding any other provision of this Plan, and without affecting the number of Shares otherwise reserved or available under this Plan, in connection with any merger, consolidation, acquisition of property or stock, or reorganization, the Committee may authorize the issuance of substitute awards or assumption of awards under this Plan by another party to any such merger, consolidation, acquisition or reorganization upon such terms and conditions as it may deem appropriate.

(c) Change of Control.

(i) The Committee may specify, either in an Award Agreement or at the time of a Change of Control, whether an outstanding Award shall become vested and/or payable, in whole or in part, as a result of a Change of Control.

(ii) If, in connection with the Change of Control, the Options and SARs issued under the Plan are not assumed, or if substitute Options and SARs are not issued by the successor or Affiliate thereof in the Change of Control transaction, or if the assumed or substituted awards fail to contain similar terms and conditions as the Award prior to the Change of Control or fail to preserve, to the extent applicable, the benefit to be provided to the Participant as of the date of the Change of Control, including but not limited to the right of the Participant to receive shares upon exercise of the Option or SAR that are registered for sale to the public pursuant to an effective registration statement filed with the U.S. Securities and Exchange Commission, then (1) each holder of an Option or SAR that is outstanding as of the date of the Change of Control who is an employee of the Company or any Subsidiary shall have the right, and (2) the Committee, in its sole discretion, may grant to a holder of an Option or SAR that is outstanding as of the date of the Change of Control who is not an employee of the Company or any Subsidiary the right, exercisable by written notice to the Company (or its successor in the Change of Control transaction) within 30 days after the Change of Control (but not beyond the Option's or SAR's expiration date), to receive, in exchange for the surrender of the Option or SAR, an amount of cash equal to the excess of the greater of the Fair Market Value of the Shares determined on the Change of Control date or the Fair Market Value of the Shares on the date of surrender covered by the Option or SAR (to the extent vested and not yet exercised) that is so surrendered over the purchase or grant price of such Shares under the Award. If the Committee so determines prior to the Change of Control, any such Option or SAR that is not exercised or surrendered prior to the end of such 30- day period will be cancelled.

(iii) If, in connection with the Change of Control, the Shares issued to a Participant as a result of the accelerated vesting or payment of a Restricted Stock Award, Performance Share Award, Restricted Stock Unit Award, Performance Unit Award or Dividend Equivalent Award under this subsection (c) are not registered for sale to the public pursuant to an effective registration statement filed with the U.S. Securities and Exchange Commission, then each holder of such Shares shall have the right, exercisable by written notice to the Company (or its successor in the Change of Control transaction) within 30 days after the Change of Control, to receive, in exchange for the surrender of such Shares an amount of cash equal to the greater of the Fair Market Value of a Share on the Change of Control date or the Fair Market Value of such Share on the date of surrender.

The provisions of Sections 16(c)(ii) and (iii) shall govern the treatment of awards made under the 2010 Plan and 2013 Plan in the event of a Change of Control, and the 2010 Plan and 2013 Plan are each deemed amended accordingly.

(d) Parachute Payment Limitation.

(i) Scope of Limitation. This Section 16(d) shall apply to an Award only if:

(A) the independent auditors most recently selected by the Board (the "Auditors") determine that the after-tax value of such Award to the Participant, taking into account the effect of all federal, state and local income taxes, employment taxes and excise taxes applicable to the Participant (including the excise tax under Code Section 4999), will be greater after the application of this Section 16(d) than it was before the application of this Section 16(d); or

(B) the Committee, at the time of making an Award under the Plan or at any time thereafter, specifies in writing that such Award shall be subject to this Section 16(d) (regardless of the after-tax value of such Award to the Participant).

If this Section 16(d) applies to an Award, it shall supersede any contrary provision of the Plan or of any Award granted under the Plan.

(ii) Basic Rule. Except as may be set forth in a written agreement by and between the Company and the holder of an Award, in the event that the Auditors determine that any payment or transfer by the Company under the Plan to or for the benefit of a Participant (a "Payment") would be nondeductible by the Company for federal income tax purposes because of the provisions concerning "excess parachute payments" in Code Section 280G, then the aggregate present value of all Payments shall be reduced (but not below zero) to the Reduced Amount. For purposes of this Section 16(d), the "Reduced Amount" shall be the amount, expressed as a present value, which maximizes the aggregate present value of the Payments without causing any Payment to be nondeductible by the Company because of Code Section 280G.

(iii) Reduction of Payments. If the Auditors determine that any Payment would be nondeductible by the Company because of Code Section 280G, then the Company shall promptly give the Participant notice to that effect and a copy of the detailed calculation thereof and of the Reduced Amount, and the Participant may then elect, in his or her sole discretion, which and how much of the Payments shall be eliminated or reduced (as long as after such election the aggregate present value of the Payments equals the Reduced Amount) and shall advise the Company in writing of his or her election within ten (10) days of receipt of notice. If no such election is made by the Participant within such ten (10) day period, then the Company may elect which and how much of the Payments shall be eliminated or reduced (as long as after such election the aggregate present value of the Payments equals the Reduced Amount) and shall notify the Participant promptly of such election. For purposes of this Section 16(d), present value shall be determined in accordance with Code Section 280G(d) (4). All determinations made by the Auditors under this Section 16(d) shall be binding upon the Company and the Participant and shall be made within sixty (60) days of the date when a Payment becomes payable or transferable. As promptly as practicable following such determination and the elections hereunder, the Company shall pay or transfer to or for the benefit of the Participant such amounts as are then due to him or her under the Plan and shall promptly pay or transfer to or for the benefit of the Participant in the future such amounts as become due to him or her under the Plan.

(iv) Overpayments and Underpayments. As a result of uncertainty in the application of Code Section 280G at the time of an initial determination by the Auditors hereunder, it is possible that Payments will have been made by the Company that should not have been made (an "Overpayment") or that additional Payments that will not have been made by the Company could have been made (an "Underpayment"), consistent in each case with the calculation of the Reduced Amount hereunder. In the event that the Auditors, based upon the assertion of a deficiency by the Internal Revenue Service against the Company or the Participant that the Auditors believe has a high probability of success, determine that an Overpayment has been made, such Overpayment shall be treated for all purposes as a loan to the Participant which he or she shall repay to the Company, together with interest at the applicable federal rate provided in Code Section 7872(f)(2); provided, however, that no amount shall be payable by the Participant to the Company if and to the extent that such payment would not reduce the amount subject to taxation under Code Section 4999. In the event that the Auditors determine that an Underpayment has occurred, such Underpayment shall promptly be paid or transferred by the Company to or for the benefit of the Participant, together with interest at the applicable federal rate provided in Code Section 7872(f)(2).

(v) Related Corporations. For purposes of this Section 16(d), the term "Company" shall include affiliated corporations to the extent determined by the Auditors in accordance with Code Section 280G(d)(5).

17. Miscellaneous.

(a) Other Terms and Conditions. The grant of any Award may also be subject to other provisions (whether or not applicable to the Award granted to any other Participant) as the Committee determines appropriate, including, without limitation, provisions for:

(i) one or more means to enable Participants to defer the delivery of Shares or recognition of taxable income relating to Awards or cash payments derived from the Awards on such terms and conditions as the Committee determines, including, by way of example, the form and manner of the deferral election, the treatment of dividends paid on the Shares during the deferral period or a means for providing a return to a Participant on amounts deferred, and the permitted distribution dates or events (provided that if Shares would have otherwise been issued under an Award but for the deferral described in this paragraph, then such Shares shall be treated as if they were issued for purposes of Sections 6(a));

(ii) the payment of the purchase price of Options by delivery of cash or other Shares or other securities of the Company (including by attestation) having a then Fair Market Value equal to the purchase price of such Shares, or by delivery (including by fax) to the Company or its designated agent of an executed irrevocable option exercise form together with irrevocable instructions to a broker dealer to sell or margin a sufficient portion of the Shares and deliver the sale or margin loan proceeds directly to the Company to pay for the exercise price;

(iii) conditioning the grant or benefit of an Award on the Participant's agreement to comply with covenants not to compete, not to solicit employees and customers and not to disclose confidential information that may be effective during or after the Participant's employment or service, and/or provisions requiring the Participant to disgorge any profit, gain or other benefit received in connection with an Award as a result of the breach of such covenant;

(iv) the automatic grant of a new Option (the "replenishment Option") to a Participant who pays the exercise price of an existing Option in Shares; provided that the replenishment Option shall cover only that number of Shares that is used to pay the exercise price and shall expire at the same time as the original Option to which it relates;

(v) restrictions on resale or other disposition of Shares, including imposition of a retention period; and

(vi) compliance with federal or state securities laws and stock exchange requirements.

(b) Employment or Service. The issuance of an Award shall not confer upon a Participant any right with respect to continued employment or service with the Company or any Affiliate, or the right to continue as a Director. Unless determined otherwise by the Committee, for purposes of the Plan and all Awards, the following rules shall apply:

(i) a Participant who transfers employment between the Corporation and any Affiliate of the Company, or between the Company's Affiliates, will not be considered to have terminated employment;

(ii) a Participant who ceases to be a Non-Employee Director because he or she becomes an employee of the Company or an Affiliate shall not be considered to have ceased service as a Director with respect to any Award until such Participant's termination of employment with the Company and its Affiliates;

(iii) a Participant who ceases to be employed by the Company or an Affiliate of the Company and immediately thereafter becomes a Non-Employee Director, a non-employee director of any Affiliate, or a consultant to the Company or any Affiliate shall not be considered to have terminated employment until such Participant's service as a director of, or consultant to, the Company and its Affiliates has ceased; and

(iv) a Participant employed by an Affiliate of the Company will be considered to have terminated employment when such entity ceases to be an Affiliate of the Company.

Notwithstanding anything herein contained to the contrary, for purposes of an Award that is subject to Code Section 409A, if a Participant's termination of employment or service triggers the payment of compensation under such Award, then the Participant will be deemed to have terminated employment or service upon his or her "separation from service" within the meaning of Code Section 409A. Notwithstanding any other provision in this Plan or an Award to the contrary, if any Participant is a "specified employee" within the meaning of Code Section 409A as of the date of his or her "separation from service" within the meaning of Code Section 409A, then, to the extent required by Code Section 409A, any payment made to the Participant on account of such separation from service shall not be made before a date that is six months after the date of the separation from service.

(c) No Fractional Shares. No fractional Shares or other securities may be issued or delivered pursuant to this Plan, and the Committee may determine whether cash, other securities or other property will be paid or transferred in lieu of any fractional Shares or other securities, or whether such fractional Shares or other securities or any rights to fractional Shares or other securities will be canceled, terminated or otherwise eliminated.

(d) Unfunded Plan. This Plan is unfunded and does not create, and should not be construed to create, a trust or separate fund with respect to this Plan's benefits. This Plan does not establish any fiduciary relationship between the Company and any Participant or other person. To the extent any person holds any rights by virtue of an Award granted under this Plan, such rights are no greater than the rights of the Company's general unsecured creditors.

(e) Requirements of Law and Securities Exchange. The granting of Awards and the issuance of Shares in connection with an Award are subject to all applicable laws, rules and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required.

Notwithstanding any other provision of this Plan or any Award Agreement, the Company has no liability to deliver any Shares under this Plan or make any payment unless such delivery or payment would comply with all applicable laws and the applicable requirements of any securities exchange or similar entity, and unless and until the Participant has taken all actions required by the Company in connection therewith. The Company may impose such restrictions on any Shares issued under the Plan as the Company determines necessary or desirable to comply with all applicable laws, rules and regulations or the requirements of any national securities exchanges.

(f) Governing Law. This Plan, and all agreements under this Plan, will be construed in accordance with and governed by the laws of the State of Delaware, without reference to any conflict of law principles. The parties agree that the exclusive venue for any legal action or proceeding with respect to this Plan, any Award or any Award Agreement, or for recognition and enforcement of any judgment in respect of this Plan, any Award or any Award Agreement, shall be a court sitting in the County of Los Angeles, or the Federal District Court for the Central District of California sitting in the County of Los Angeles, in the State of California, and further agree that any such action may be heard only in a "bench" trial, and any party to such action or proceeding shall agree to waive its right to assert a jury trial.

(g) Limitations on Actions. Any legal action or proceeding with respect to this Plan, any Award or any Award Agreement, must be brought within one year (365 days) after the day the complaining party first knew or should have known of the events giving rise to the complaint.

(h) Construction. Whenever any words are used herein in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are used in the singular or plural, they shall be construed as though they were used in the plural or singular, as the case may be, in all cases where they would so apply. Titles of sections are for general information only, and this Plan is not to be construed with reference to such titles.

(i) Severability. If any provision of this Plan or any Award Agreement or any Award (i) is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, or as to any person or Award, or (ii) would disqualify this Plan, any Award Agreement or any Award under any law the Committee deems applicable, then such provision should be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of this Plan, Award Agreement or Award, then such provision should be stricken as to such jurisdiction, person or Award, and the remainder of this Plan, such Award Agreement and such Award will remain in full force and effect.

ADOPTED BY BOARD OF DIRECTORS: December 15, 2015

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement dated as of January 12, 2016 (this "Agreement") is executed by and among Apollo Medical Holdings, Inc., a Delaware corporation ("Apollo"), Apollo Care Connect, Inc., a Delaware corporation and a wholly-owned subsidiary of Apollo (individually, "Acquisition" and together with Apollo, "Purchaser"), and Healarium, Inc., a Delaware corporation ("Seller" or "Healarium").

RECITALS

WHEREAS, Purchaser wishes to acquire from Seller, and Seller wishes to sell to Purchaser, certain assets used in the population health services business; and

WHEREAS, Apollo has organized Acquisition as a wholly-owned subsidiary for the purpose of completing such purchase (the "Transaction"); and

WHEREAS, on the terms and subject to the conditions set forth in this Agreement, the Seller desires to sell to the Purchaser, and the Purchaser desires to purchase from the Seller, the Assets (as defined in Section 1(a) below).

NOW THEREFORE, in consideration of the mutual promises of the parties, and in reliance on the representations, warranties, covenants and conditions contained herein, and for other good and valuable consideration, the parties hereto hereby agree as follows:

1. Sale and Purchase of Assets.

a. Subject to the terms and conditions of this Agreement, at the Closing (as defined in Section 3 below), Seller shall sell, convey, assign, transfer, set over and deliver to Purchaser, and Purchaser shall purchase and acquire all of Seller's right, title and interest in and to the Assets, as defined on *Schedule "I"* attached hereto, the terms of which are incorporated herein by this reference, free and clear of any and all security interests, assignments, pledges, hypothecations, mortgages, liens (including environmental and tax liens), violations, charges, licenses, encumbrances, claims or potential claims of co-ownership or co-creation of Intellectual Property (as defined in *Schedule "I"*), other claims, reversions, reverters, preferential arrangements, restrictive covenants, conditions or restrictions of any kind, including any restrictions on the use, transfer, receipt of income or other exercise of any attributes of ownership (collectively, "Encumbrances").

b. **Excluded Assets.** Notwithstanding anything to the contrary, the assets listed on *Schedule "I"* as being retained by Seller (collectively, the "Excluded Assets") shall not be part of the Assets being sold by the Seller and purchased by the Purchaser hereunder; provided, however, that in the event that (i) Seller decides to sell the Excluded Assets, or any portion thereof, to a third party, or (ii) receives a bona fide offer from a third party to purchase the Excluded Assets, or any portion thereof, Seller shall first offer Purchaser a right of first refusal (a "ROFR") to purchase such assets on such terms as the parties may agree as a result of good faith negotiations; provided, however, that such terms are as favorable as the offer received from such third party (if any). Upon receipt of notice from Seller (the "Seller ROFR Notice"), Purchaser shall have twenty (20) days (the "ROFR Notice Period") to elect to purchase all (but not less than all) the assets offered in the Seller ROFR Notice by delivering written notice (the "Purchaser ROFR Notice") to the Seller. If Purchaser does not deliver the Purchaser ROFR Notice during the ROFR Notice Period in accordance with this Section 1(b), Purchaser shall have been deemed to have waived all such rights to purchase the Excluded Assets under this Section 1(b) and Seller shall be free to sell the Excluded Assets to the original third party without any further obligation to the Purchaser pursuant to this Section 1(b), provided further that such sale takes place within sixty (60) days following the end of the ROFR Notice Period. After such date, Purchaser's ROFR pursuant to this Section 1(b) shall again apply.

c. **No Liabilities Assumed.** Purchaser shall not assume or be responsible at any time for any liability, obligation, debt or other commitment of Seller, whether absolute or contingent, accrued or unaccrued, asserted or unasserted, or otherwise, including but not limited to any liabilities, obligations, debts or commitments of Seller incident to, arising out of or incurred with respect to, this Agreement or the Assets conveyed and the Transaction contemplated hereby, including without limitation, any and all taxes (including bulk sales taxes, if any) arising out of the Transaction contemplated hereby (collectively, "Excluded Obligations").

2. Transaction.

a. Subject to subsection (b) of this Section 2, the purchase price for the Assets (the "Purchase Price"), to be paid at the Closing, shall be as follows:

- i. Purchaser shall issue 275,000 duly issued and fully paid shares of the common stock of Apollo to Seller (the "Purchaser Closing Payment"); and
- ii. Seller shall pay Purchaser \$200,000 (the "Seller Closing Payment").

3. Closing and Deliveries.

a. **The Closing.** The closing of the Transaction (the "Closing") shall take place at the offices of SEC Law Firm, 11693 San Vicente Boulevard, Suite 357, Los Angeles, California 90049, or at such other place, including pursuant to a "virtual Closing", as the parties may agree, simultaneously with the execution and delivery of this Agreement. The date of the Closing is referred to in this Agreement as the "Closing Date".

b. Deliverables by Seller at the Closing. At or prior to the Closing, Seller shall deliver or cause to be delivered to Purchaser:

- i. A functional, operational software operating platform (the "Platform") that has been tested by Core Value, Inc.;
- ii. duly executed Patent Assignments, substantially in the form attached hereto as Exhibit "A", the terms of which are incorporated herein by this reference, with respect to each patent application listed on *Schedule "I"* (individually, a "Patent Application" and collectively, the "Patent Applications");
- iii. a CD and/or access to Cloud Storage containing all sources codes used in connection with the Intellectual Property or other Assets, to the extent such exist;
- iv. a Bill of Sale, substantially in the form attached hereto as Exhibit "B", the terms of which are incorporated herein by this reference, and/or such other instrument(s) of conveyance, assignment and transfer as Purchaser may reasonably request, in form and substance satisfactory to Purchaser, as shall be effective to transfer and assign to, and vest in, Purchaser, the Assets free and clear of any and all Liens;
- v. an Officer's Certificate, duly executed on Seller's behalf, as to whether each condition specified in this Agreement has been satisfied in all respects by Seller;
- vi. a certificate changing Seller's corporate name to a name as determined by Seller but which names shall not include the words "Healarium" or any similar or derivative name(s) or variations thereof; and
- viii. The Seller Closing Payment, except that the Seller Closing Payment shall be received by Purchaser within three (3) business days following the Closing Date, which shall constitute timely delivery thereof.

c. Deliverables by Purchaser at the Closing. At or prior to the Closing, Purchaser shall deliver or cause to be delivered to Seller:

- i. a stock certificate registered in the name of Seller, evidencing the Purchaser Closing Payment, except that the Purchase Closing Payment shall be received by Seller within three (3) business days following the Closing Date, which shall constitute timely delivery thereof; and
- ii. an Officer's Certificate, duly executed on Purchaser's behalf, as to whether each condition specified in this Agreement, been satisfied in all respects by Purchaser.

d. Third Party Consents. To the extent that either Seller's rights under any agreement, commitment, or other Asset being sold to and purchased by Purchaser hereunder may not be assigned by Seller without the consent ("Consent") of another person or entity which has not been obtained, this Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof or be unlawful, and Seller, at its expense, shall use best efforts to obtain any such required Consent as promptly as possible. If any such Consent is not obtained, or if any attempted assignment would be ineffective or would impair Purchaser's rights under the Asset so that Purchaser would not in effect acquire the benefit of all such rights, Seller shall, to the maximum extent permitted by law and the Asset, act after the Closing as Purchaser's agent in order to obtain for Purchaser the benefits thereunder and shall cooperate, to the maximum extent permitted by law, with Purchaser in any other reasonable arrangement designed to provide such benefits to Purchaser.

e. Seller's Further Assurances. Seller from time to time at and after the Closing shall execute, acknowledge and deliver to Purchaser such other instruments of conveyance and transfer and shall take such other actions and execute and deliver such other documents, certificates and further assurances as Purchaser reasonably may request in order to vest more effectively in Purchaser, or to put Purchaser more fully in possession of, the Assets.

f. Failure to Deliver Deliverables On Time. Time is of the essence in respect of the delivery of each deliverable by each party pursuant to this Section 3. If one party fails to deliver any of its deliverables by the respective deadlines provided for in this Section 3 (the "Breaching Party"), the other party (the Non-Breaching Party") shall have the right, at any time thereafter, in its sole and absolute discretion, by giving written notice to the Breaching Party, to rescind the Transaction *in toto* as its exclusive remedy for such breach. In such event, and irrespective of fault, the parties shall fully cooperate with each other to return, each to the other, every item of value each has received theretofore with respect to the Transaction, including without limitation, the Assets, the Purchaser Closing Payment and/or the Seller Closing Payment. The failure of any party to return the items provided for in the preceding sentence shall constitute a material breach of this Agreement by such party, whether such party is the Breaching Party or the Non-Breaching Party.

4. **Representations and Warranties of Seller.**

Seller represents and warrants to each of Apollo and Acquisition as follows:

a. Organization, Standing and Corporate Power. Seller is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted. Complete and correct copies of the charter documents of Seller have been delivered to Purchaser or its counsel.

b. Authority; Enforceability; Effect of Agreement.

i. Seller has full power and authority to enter into, execute and deliver this Agreement and perform its obligations hereunder and the other agreement, documents and instruments contemplated hereby. This Agreement has been duly authorized by all necessary corporate action of Seller, including, without limitation, the authorization and approval by its shareholders, if required by the Delaware General Corporation Law, and its Board of Directors . This Agreement has been duly executed and delivered by Seller and, assuming this Agreement is duly executed and delivered by Purchaser, constitutes a valid and legally binding obligation of Seller enforceable against it in accordance with its terms, subject to the effect of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws relating to or affecting creditors' rights generally, or the availability of equitable remedies.

ii. The execution and delivery by Seller of this Agreement do not, and compliance by Seller with the provisions of this Agreement will not, (a) conflict with or result in a breach or default under any of the terms, conditions or provisions of any contract to which Seller is a party or otherwise bound, or to which any property or asset of Seller is subject; (b) violate any law applicable to Seller; or (c) result in the creation or imposition of any claim, lien or Encumbrance on any asset of Seller, including the Assets.

c. Assets. Seller has, and at the Closing Purchaser will convey to Seller, good, valid and marketable title to each of the Assets, free and clear of any claim, lien or Encumbrance of any kind.

d. Intellectual Property.

i. Seller has not received any written notice of (or is aware of any) infringement or other written complaint to the effect that Seller or any of its Affiliates has violated or infringed the intellectual property or any other proprietary rights of others. Seller owns each item of Intellectual Property free and clear of all claims, liens and Encumbrances. Neither Seller nor any of its Affiliates has wrongfully exploited any Intellectual Property owned or licensed by any person for which Seller could suffer any damages, and neither Seller nor any person employed by or Affiliated with Seller has violated any confidential relationship which such person may have had with any third party for which Seller could suffer any damages. Seller has full right and authority to utilize the Intellectual Property. No royalties, honoraria, damages or fees are payable by Seller or any of its Affiliates to other persons by reason of the ownership or use of the Intellectual Property. No Affiliate of Seller owns or holds, directly or indirectly, any interests in the Intellectual Property. To Seller's best knowledge, no person has interfered with, infringed upon, misappropriated, or otherwise violated any intellectual property right of Seller. Seller (i) owns or has the right to use all Intellectual Property and Licensed Technology used in or necessary for the conduct of the business of Seller without, to Seller's best knowledge, infringing upon or otherwise acting adversely to the right or claimed right of any person under or with respect to any of the foregoing and (ii) is not obligated or under any liability to make any payments by way of royalties, fees or otherwise to any owner or licensee of, or other claimant to, any Intellectual Property. For all purposes of this Agreement, the term "Affiliate" means a person controlling, controlled by, or under common control with, another person.

ii. The Patent Applications consist of the entire right, title and interest in and to said invention or inventions, as described in the applications for the patents filed with the United States Patent and Trademark Office; and in and to any application filed in any foreign country based thereon, including the right to file foreign applications under the provisions of the any international law or treaty; also the entire right, title and interest in and to any and all patents or reissues or extensions thereof to be obtained in this or any foreign country upon said invention or inventions and any divisional, continuation, continuation-in-part or substitute applications which may be filed upon said invention or inventions in the or any foreign country. Seller has abandoned prosecution of the patents and has made no other attempts to prosecute the patents, including without limitation any derivative intellectual property, anywhere in the world.

e. Licensed Technology. All Licensed Technology (as defined in *Schedule "I"*) has been duly licensed by Seller from the third party owner thereof, and Seller's use of each item of Licensed Technology is authorized. To Seller's best knowledge, no person has interfered with, infringed upon, misappropriated, or otherwise violated any intellectual property right of the owner(s) of such Licensed Technology.

f. **Litigation and Proceedings.** There is no pending or, to the best knowledge of Seller, threatened action or proceeding (or basis for any action or proceeding), to which Seller is a party or involving any of the Assets or which could materially affect Seller's ability to execute and deliver this Agreement or to perform each of its obligations contemplated hereby. Seller is not subject to any judgment, order, writ, injunction, decree or regulatory directive or agreement preventing them from executing, delivering and performing its obligations under this Agreement and the other agreements, documents and instruments contemplated hereby.

g. **Compliance with Laws.** Seller and its predecessors and Affiliates have complied with all applicable laws applicable to them in the ownership and use of the Assets, and no action is pending or, to the best knowledge of Seller, threatened (and there is no basis therefor) against any of them alleging any failure to so comply.

h. **Creditor Issues.** The sale of Assets to the Purchaser is not being made with the intent to hinder, delay or defraud any creditor of Seller. Seller believes, in good faith, that it is receiving reasonably equivalent value in exchange for the transfer of the Assets. Seller is not insolvent nor will become insolvent as a result of the Transaction.

i. **No Conflicts; No Consents Required.** There are no approvals, authorizations, Consents, orders or other actions of, or filings with, any person, entity (governmental or otherwise) or organization that are required to be obtained or made by Seller in connection with the execution of, and the consummation of the Transactions contemplated under, this Agreement, including, without limitation, the effective transfer to Purchaser of the Assets. The execution, delivery and performance of this Agreement and the Transaction contemplated hereby by Seller does not, and will not (with or without the giving of notice or the passage of time, or both), violate, conflict with, result in a breach or default under, give rise to any rights of acceleration, modification, termination or cancellation of, result in the creation of any claim, lien or Encumbrance pursuant to, or require any notice or consent under the charter or bylaws of Seller, or any mortgage, indenture, instrument, agreement, understanding or commitment of any kind, or any law, regulation, rule, order, judgment or decree, to which Seller is a party or by which Seller is bound or affected, other than such notices and consents which have been given or obtained. No authorization, permit, approval or consent of, and no registration or filing with any governmental or regulatory authority is required in connection with the execution, delivery and performance by Seller of the sale and transfer of Assets to Purchaser.

j. **Material Misstatements and Omissions.** No representations and warranties by Seller in this Agreement contains any untrue statement of material fact or, to the knowledge of Seller, omits to state any material fact to make the statements made therein, in light of the circumstances under which they were made, misleading.

k. Securities Representations.

(i) Investment Intent. Healarium is acquiring the shares of Apollo's common stock being issued to it as the Purchaser Closing Payment (the "Securities"), for investment as principal for its own account, not as nominee or agent, and not with a view to, or for resale of any part thereof in connection with, any distribution or public offering thereof within the meaning of the Securities Act of 1933, as amended, (the "Securities Act") or applicable state securities laws, and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities in violation of the Securities Act or applicable state securities law.

(ii) Knowledge and Experience. Healarium, either alone or together with its representatives, (A) has such knowledge and experience in financial and business matters generally and about Apollo specifically as to be capable of evaluating the merits and risks of the Securities; and (B) has the ability to bear the economic risk of holding the Securities, including the complete loss of its investment therein.

(iii) Access to Information. Healarium acknowledges that it has had the opportunity to review Apollo's periodic reports and other filings made from time to time with the Commission and has been afforded (A) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of Apollo concerning the terms and conditions of the offering of the Securities and the merits and risks of investing in the Securities; (B) access to information about Apollo, including its subsidiaries and consolidated Affiliates, and their respective financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (C) the opportunity to obtain such additional information that Healarium possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to an investment in the Securities. Healarium has had the opportunity to seek such accounting, legal and tax advice, at its own expense, as it has considered necessary to make an informed decision with respect to its acquisition of the Securities.

(iv) No Governmental Review. Healarium understands that no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Securities or the fairness or suitability of the investment in the Securities nor have such authorities passed upon or endorsed the merits of the offering of the Securities.

(v) No Solicitation. Healarium has not been offered the Securities, or any part thereof, by any form of advertisement, article, notice or other communication published in any newspaper, magazine, or similar media or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any such media. Healarium became interested in Apollo's Securities through means other than Apollo's Registration Statement on Form S-1, including any amendment thereto (collectively, the "S-1") filed with the Commission, was not identified, contacted or solicited through the marketing of the S-1, and did not independently contact Apollo as a result of any solicitation in connection with the S-1.

(vi) Certain Transactions and Confidentiality. Other than consummating the transactions contemplated hereunder, Healarium has not directly or indirectly, nor has any person acting on behalf of or pursuant to any understanding with Healarium, executed any purchases or sales, including short sales, of any of Apollo's securities during the period commencing as of the time that Healarium and Apollo first entered into the Non-Disclosure Agreement (as defined in Section 6(a)(i)) through and including the Closing Date. Other than to its professional advisors, Healarium has maintained the confidentiality of all disclosures made to it in connection with this transaction.

(vii) Securities Not Registered. Healarium understands and acknowledges that the Securities issued to it by Apollo pursuant to this Agreement will not be registered under the Securities Act or qualified under any state securities laws on the basis that the offering and sale of the Securities contemplated by this Agreement are exempt from registration under the Securities Act and exempt from qualification under applicable state securities laws, and that Apollo's reliance upon such exemptions is predicated, in part, upon Healarium's representations set forth in this Section 4(k). Healarium understands that the Securities are "restricted securities", and have not been, are not being, and Healarium expects will not be, registered under the Securities Act or any applicable state securities laws. Healarium acknowledges and understands that the resale of the Securities may be restricted indefinitely unless the Securities are subsequently registered under the Securities Act and qualified under applicable state securities laws, or an exemption from such registration and such qualification is available. Healarium understands and acknowledges that it does not have registration rights with respect to the Securities and Apollo has no present intention of registering the Securities. Healarium further understands and acknowledges that any sale of the Securities made in reliance on Rule 144 under the Securities Act will be subject to the requirements of Rule 144(i) because Apollo was previously an issuer described in paragraph (i)(1)(i) of Rule 144.

(viii) Legend. Healarium understands that the certificate evidencing the Securities shall bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the certificates for such Securities by Apollo's transfer agent):

"THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED FOR SALE UNDER ANY STATE SECURITIES LAWS (COLLECTIVELY, "SECURITIES LAWS") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AND QUALIFICATION FOR SALE UNDER ALL APPLICABLE SECURITIES LAWS, OR UNLESS, IN THE OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER, ANY SUCH OFFER, SALE OR OTHER TRANSFER IS EXEMPT FROM THE REGISTRATION OR QUALIFICATION REQUIREMENTS OF SUCH SECURITIES LAWS."

5. **Representations and Warranties of Purchaser.**

Apollo and Acquisition, jointly and severally, represent and warrant to Seller as follows:

a. **Organization, Standing and Corporate Power.** Each of Apollo and Acquisition is a corporation duly organized, validly existing and in good standing under the laws of the state of its respective incorporation and has all requisite power and authority to own, lease and operate its respective properties and assets and to carry on its respective business as now being conducted. Acquisition is a wholly-owned subsidiary of Apollo.

b. **Authority; Enforceability; Effect of Agreement.**

i. Each of Apollo and Acquisition has full power and authority to enter into, execute and deliver this Agreement and perform its respective obligations hereunder. This Agreement has been duly authorized by all necessary action of Apollo and Acquisition. This Agreement has been duly executed and delivered by Apollo and Acquisition and constitutes a valid and legally binding obligation of each of them and is enforceable against each of them in accordance with its terms, subject to the effect of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws relating to or affecting creditors' rights generally, or the availability of equitable remedies.

ii. The execution and delivery by the Apollo and Acquisition of this Agreement do not, and compliance by Apollo and Acquisition with the provisions hereof will not, (a) conflict with or result in a breach or default under any of the terms, conditions or provisions of any contract to which Apollo or Acquisition is a party or otherwise bound, or to which any of the respective assets or properties of Apollo or Acquisition are subject; or (b) violate any law applicable to Apollo or Acquisition; or (c) result in the creation or imposition of any lien on any of the respective assets of Apollo or Acquisition.

c. **Reports.** Apollo has timely filed or furnished all reports ("Apollo Reports") required to be filed by it with the Securities and Exchange Commission (the "Commission"), all of which have complied as of their respective filing dates in all material respects with all then applicable requirements of the Securities Exchange Act of 1934, as amended. None of the Apollo Reports, at the time filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of the date of this Agreement, there are no outstanding or unresolved comments received from the Staff of the Commission with respect to any of the Apollo Reports.

6. Further Agreements of the Parties.

a. Confidentiality.

i. The Parties acknowledge that Seller and Purchaser have previously entered into that certain Mutual Non-Disclosure Agreement dated December 15, 2015 (the "Non-Disclosure Agreement"), a copy of which is attached hereto as Exhibit "C", and the terms of which are incorporated herein by this reference. The terms of the Non-Disclosure Agreement shall survive the termination of this Agreement and the Closing hereunder.

ii. No party shall be entitled, without the prior approval of the other parties, to issue any press release or other public disclosure with respect to the Transaction; except that Apollo shall make such disclosures, without the consent of the other parties, as Purchaser, or its counsel, determine are necessary to comply with Federal securities laws, the Rules and Regulations of the Commission and the requirements of any exchange on which any of its securities are listed or quoted.

b. Expenses. Except as otherwise expressly provided in this Agreement, Seller, on the one hand, and Purchaser, on the other hand, will each bear its own costs and expenses incurred in connection with the preparation, execution and performance of this Agreement and the Transaction contemplated hereby including all fees and expenses of agents, representatives, financial advisors, legal counsel and accountants.

c. Further Assurances. Each party agrees, without further consideration, from time to time after the Closing to (i) execute and deliver further instruments of transfer, assumption and assignment and take such other actions as the other party may reasonably require to transfer, assign to and vest in Purchaser the Assets, including; (ii) cooperate with and provide assistance to the other party in transferring possession of the Assets to Purchaser and (iii) do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, all and every further reasonable act, deed, conveyance, transfer and assurance necessary to assure their compliance with the terms, provisions, purposes and intents of this Agreement and the effectiveness of the rights, benefits and remedies provided for hereby; it being understood that no party shall be required to expend money, commence any litigation or offer or grant any accommodation (financial or otherwise) to any Third Party in connection with this Section 6(c).

d. No Brokers. The Parties represent and warrant to each other that no brokers were used in connection with this Agreement and the Transaction contemplated herein, and no amount is due or owing to any such person.

e. Purchase Price Allocation. The Parties agree to allocate the Purchase Price or other payments made hereunder by mutual agreement based on the fair market values of the assets transferred. Each Party agrees that it will not take any position for purposes of computing federal or state income tax or franchise taxes that is inconsistent with the agreed upon allocations, unless such allocations are determined, in good faith, to be violative of federal, state or local law. If any Party fails to comply with this Section 6(e), such Party shall be liable for all taxes, legal and accounting fees, and other expenses actually incurred by the other Party as a consequence of such failure.

f. Technical Assistance. For a period of six (6) months following the Closing Date, Seller shall make available to Purchaser, upon request, any then current employee, or use commercially reasonable effort to make available to Purchaser any independent contractor, of Seller for the purpose of providing technical assistance with respect to the Assets.

g. CareHere Agreement. Notwithstanding anything to the contrary provided herein, Apollo and Purchaser will allow Seller to perform its obligations under that certain Software License & Services Agreement by and between Seller and CareHere, LLC entered into June 23, 2011, and all amendments and exhibits thereto (collectively, the "CareHere Agreement"), until the CareHere Agreement expires under its terms.

h. Covenant Not to Compete. In connection with Seller's sale of the Assets to Purchaser, and as further consideration for Purchaser's purchase of the Assets, which Assets constitute substantially all of Seller's assets in the operation of the population health service business, Purchaser Seller agrees that for a period of two (2) years commencing on the Closing Date, neither it nor its Affiliates shall, acting individually or as the director, officer, partner, employee or consultant of any entity, directly or indirectly, engage in, operate or control a business in the population health services business anywhere in the United States, including its territories and commonwealths. The parties agree and acknowledge that this provision is necessary and appropriate to protect the interests of Purchaser and but for this provision Purchaser would not agree to purchase the Assets. In the event that it is determined in a proceeding brought pursuant to this Agreement that this covenant is not enforceable in its entirety, this Section 6(h) shall be modified by amending or striking one or more words to allow for the maximum application of this covenant in favor of Purchaser without eliminating this Section 6(h) in its entirety.

i. Contracts. Seller shall deliver to Purchaser a copy of any Contract in Seller's possession at the request of Purchaser.

7. Survival of Representations and Warranties; Indemnification.

a. Survival of Representations and Warranties. All representations and warranties made in this Agreement or made in any document delivered pursuant to this Agreement by or on behalf of any Party shall survive the execution and delivery of this Agreement and the Closing, regardless of notice of or any investigation or right of investigation made prior to or after the date of this Agreement by or on behalf of any party, and shall terminate and expire two (2) years following the Closing Date (the "Survival Date"), after which date they shall be of no further force or effect. No claim for a breach of any representation or warranties made in this Agreement may be brought after the Survival Date, except for a claim for which a written notice, reasonably detailing the basis therefor, shall have been delivered to the breaching party prior to the Survival Date; provided, that the Survival Date shall not apply to any covenant or obligation of a party to be performed following Closing pursuant to the express terms hereof.

b. Indemnification By Seller. Seller shall indemnify, save and hold harmless Apollo and Acquisition, and each of their respective officers, directors, employees, agents and Affiliates, and each of their successors and assigns (individually, a "Purchaser Indemnified Party" and collectively, the "Purchaser Indemnified Parties") from and against any and all costs, losses, claims, liabilities, fines, penalties, consequential damages (other than lost profits), and expenses (including interest which may be imposed in connection therewith and court costs and reasonable fees and disbursements of counsel) ("Damages") incurred in connection with, arising out of, resulting from or incident to:

i. any material breach of, or any inaccuracy in any of, the representations or warranties made by Seller in this Agreement, any exhibit or schedule to this Agreement or any certificate, instrument or writing delivered in connection with this Agreement or in connection with any exhibit or schedule to this Agreement;

ii. any default in any agreements made by Seller in this Agreement, any exhibit or schedule to this Agreement or any certificate, instrument or writing delivered in connection with this Agreement or in connection with any exhibit or schedule to this Agreement; or

iii. any action, compromise, settlement, assessment or judgment arising out of or incidental to any of the matters indemnified against in this section; provided, however, that Seller shall be obligated to indemnify a Purchaser Indemnified Party and hold it or him harmless under this section with respect to any settlement of a claim to which Seller has not consented, which consent shall not unreasonably be withheld, conditioned or delayed to the extent that such settlement does not impose on Seller any obligation other than the indemnification obligations set forth herein. If, by reason of the claim of any third person relating to any of the matters subject to indemnification under this section, a lien, attachment, garnishment or execution is placed upon any of the property or assets of any Purchaser Indemnified Party, Seller shall also, promptly upon demand, furnish an indemnity bond (in an amount not exceeding Seller's then remaining indemnification obligations thereunder) satisfactory to the Purchaser Indemnified Party to obtain the prompt release of such lien, attachment, garnishment or execution.

c. Indemnification by Purchaser. Apollo and Acquisition shall, jointly and severally, indemnify, save and hold harmless Seller and its officers, directors, employees, agents and Affiliates, and each of their successors and assigns (individually, a "Seller Indemnified Party" and collectively, the "Seller Indemnified Parties") from and against any and all Damages incurred in connection with, arising out of, resulting from or incident to:

i. any material breach of, or any inaccuracy in any of, the representations or warranties made by Apollo or Acquisition in this Agreement, any exhibit or schedule to this Agreement or any certificate, instrument or writing delivered in connection with this Agreement or in connection with any exhibit or schedule to this Agreement;

ii. any default in any agreements made by Apollo or Acquisition in this Agreement, any exhibit or schedule to this Agreement or any certificate, instrument or writing delivered in connection with this Agreement or in connection with any exhibit or schedule to this Agreement; or

iii. any action, compromise, settlement, assessment or judgment arising out of or incidental to any of the matters indemnified against in this section; provided, however, that neither Apollo nor Acquisition shall be obligated to indemnify a Seller Indemnified Party and hold it or him harmless under this section with respect to any settlement of a claim to which Apollo or Acquisition has not consented, which consent shall not unreasonably be withheld, conditioned or delayed to the extent that such settlement does not impose on Purchaser any obligation other than the indemnification obligations set forth herein. If, by reason of the claim of any third person relating to any of the matters subject to indemnification under this section, a lien, attachment, garnishment or execution is placed upon any of the property or assets of any Seller Indemnified Party, Apollo or Acquisition shall also, promptly upon demand, furnish an indemnity bond (in an amount not exceeding Purchaser's then remaining indemnification obligations thereunder) satisfactory to the Seller Indemnified Party to obtain the prompt release of such lien, attachment, garnishment or execution.

d. Notice of Claim. If a claim for Damages (a "Claim") is to be made by a party entitled to indemnification hereunder (an "Indemnified Party") against the indemnifying party (the "Indemnifying Party"), the Indemnified Party shall give written notice (a "Claim Notice") to the Indemnifying Party, which notice shall specify whether the Claim arises as a result of a claim by a person against the Indemnified Party (a "Third Party Claim") or whether the Claim does not so arise (a "Direct Claim"), and shall also specify (to the extent that the information is available) the factual basis for the Claim and the amount of the Damages, if known. If the Claim is a Third Party Claim, the Indemnified Party shall provide the Claim Notice as soon as practicable after such party becomes aware of any fact, condition or event which may give rise to Damages for which indemnification may be sought under this section. If any lawsuit or enforcement action is filed against any Indemnified Party, written notice thereof shall be given to the Indemnifying Party as promptly as practicable (and in any event within 15 calendar days after the service of the citation or summons). The failure of any Indemnified Party to give timely notice hereunder shall not affect rights to indemnification hereunder, except to the extent that the Indemnifying Party has been damaged by such failure.

e. Direct Claims. With respect to any Direct Claim, following receipt of the Claim Notice from the Indemnified Party, the Indemnifying Party shall have 30 days to make such investigation of the Claim as is considered necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party sufficient information to substantiate the Claim, together with all such other non-privileged information as the Indemnifying Party may reasonably request. If both parties agree at or prior to the expiration of such 30-day period (or any mutually agreed upon extension thereof) to the validity and amount of such Claim, the Indemnifying Party shall immediately pay to the Indemnified Party the full agreed upon amount of the Claim. If the parties have not so agreed to the validity and/or amount of the Claim, then the parties shall proceed in the manner set forth in the following sentence. If the Closing shall have occurred under this Agreement, the matter shall be resolved pursuant to the arbitration provisions contained in Section 9(i); and if the Closing shall not have occurred under this Agreement, the Indemnified Party may bring an action against the Indemnifying Party in any court located in Los Angeles County, California.

f. Third Party Claims. With respect to a Third Party Claim, if after receipt of the Claim Notice the Indemnifying Party acknowledges in writing to the Indemnified Party that the Indemnifying Party shall be obligated under the terms of its indemnity hereunder in connection with such lawsuit or action, the Indemnifying Party shall be entitled, if it so elects at its own cost, risk and expense, (A) to take control of the defense and investigation of such lawsuit or action, (B) to employ and engage attorneys of its own choice, but, in any event, reasonably acceptable to the Indemnified Party, to handle and defend the same unless the named parties to such action or proceeding (including any impleaded parties) include both the Indemnifying Party and the Indemnified Party and the Indemnified Party has been advised in writing by counsel that there may be one or more legal defenses available to such Indemnified Party that are different from or additional to those available to the Indemnifying Party, in which event the Indemnified Party shall be entitled, at the Indemnifying Party's cost, risk and expense, to separate counsel of its own choosing, and (C) to compromise or settle such lawsuit or action, which compromise or settlement shall be made only with the written consent of the Indemnified Party, such consent not to be unreasonably withheld.

If the Indemnifying Party fails to assume the defense of such Claim within 30 calendar days after receipt of the Claim Notice, the indemnified party against which such Claim has been asserted will (upon delivering notice to such effect to the Indemnifying Party) have the right to undertake, at the Indemnifying Party's cost and expense, the defense, compromise or settlement of such Claim on behalf of and for the account and risk of the Indemnifying Party. If the Indemnified Party assumes the defense of the Claim, the Indemnified Party will keep the Indemnifying Party reasonably informed of the progress of any such defense, compromise or settlement. The Indemnifying Party shall be liable for any settlement of any action effected pursuant to and in accordance with this Section 7(f) and for any final judgment (subject to any right of appeal) and the Indemnifying Party agrees to indemnify and hold harmless an Indemnified Party from and against any Damages by reason of such settlement or judgment. If there is a dispute as to the indemnification obligations of any party under this Section 7(f), then the parties shall proceed in the manner set forth in the following sentence. If the Closing shall have occurred under this Agreement, the matter shall be resolved pursuant to the arbitration provisions contained in Section 9(i); and if the Closing shall not have occurred under this Agreement, the Indemnified Party may bring an action against the Indemnifying Party in any court located in Los Angeles County, California

g. Limitation on Indemnification. Notwithstanding anything contained herein to the contrary,

(i) in no event shall the aggregate amount of the indemnifiable Losses for which Seller shall be liable pursuant to Section 7(b), or Purchaser shall be liable pursuant to Section 7(c), exceed the fair market value on the Closing Date of the Purchaser Closing Payment; and

(ii) all indemnifiable Losses shall be calculated net of the amount of any actual recoveries by an Indemnified Party under applicable insurance policies (calculated net of any actual collection costs and reserves, expenses, deductibles or premium adjustments or retrospectively rated premiums incurred or paid to procure such recoveries).

h. Remedies Cumulative. The foregoing indemnification provisions are in addition to, and not in derogation of, any remedy at law or in equity that any Party may have with respect to this Agreement and the transactions contemplated hereby.

8. Taxes.

a. Payment of Taxes, Filing of Returns. Seller shall remain liable for the filing of all tax returns and reports and for the payment of all foreign, federal, state and local taxes of either Seller relating to the operation of the business of Seller or to the Assets for any period ending on or prior to the Closing Date, and for the payment of all taxes attributable to or relating to the consummation of the Transaction contemplated herein and shall indemnify and hold each of Apollo and Acquisition harmless from and against all liability in connection therewith.

b. Income, Sales and Other Taxes. Seller shall bear all responsibility for income, sales, use, value added or other similar taxes, if any, arising out of the consummation of the Transaction herein provided for and shall be liable for the filing of all necessary tax returns and reports with respect to such taxes.

9. Miscellaneous.

a. Notices. All notices, requests, demands and other communications (a "Notice") given pursuant to this Agreement shall be in writing, and shall be delivered by personal service, courier, facsimile transmission, electronic transmission (the last two of which must be confirmed) or by United States first class, registered or certified mail, postage prepaid, to the following addresses:

To: Apollo Medical Holdings, Inc.
or Apollo Acquisition Corporation
700 North Brand Blvd., Suite 1400
Glendale, California 91203
Tel: (818) 396-8050
Fax: (818) 844-3886
Attention: Warren Hosseinion, M.D.

with a copy to:

SEC Law Firm
11693 San Vicente Boulevard
Suite 357
Los Angeles, California 90049
Tel: (310) 557-3059
Fax: (310) 388-1320
Attention: Lance Jon Kimmel, Esq.

To: Healarium, Inc.
239 Dawson Road
Hillsdale, NY 12529
Attention: Oded Levy
Tel: (917) 545-4046
Fax: _____
Attention: Oded Levy

with a copy to:

Pepper Hamilton LLP
Hercules Plaza, Suite 5100 |
1313 N. Market Street
Wilmington, Delaware 19801
Attention: Ben Strauss, Esq.

Any Notice, other than a Notice sent by overnight courier mail, shall be effective when received; a Notice sent by overnight courier, shall be effective on the delivery date. Any party may from time to time change its address for further Notices hereunder by giving notice to the other parties in the manner prescribed in this Section 9.

b. Entire Agreement. This Agreement contains the sole and entire agreement and understanding of the parties with respect to the entire subject matter of this Agreement, and supersedes any and all prior discussions, negotiations, commitments and understandings, whether oral or otherwise, related to the subject matter of this Agreement.

c. Assignment. No party may assign this Agreement, and any attempted or purported assignment or any delegation of any party's duties or obligations arising under this Agreement to any third party or entity shall be deemed to be null and void, and shall constitute a material breach by such party of its duties and obligations under this Agreement; provided that Apollo may assign its rights to purchase all or any portion of the Assets to any wholly-owned subsidiary presently existing or to be formed, whether such subsidiary is established under the laws of any State or outside the United States; provided further that Apollo shall remain responsible for its obligations set forth in this Agreement and the Transaction Documents. Subject to the preceding sentence, this Agreement shall inure to the benefit of and be binding upon each of the parties and their respective successors and permitted assigns. Nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties any legal or equitable right, remedy or Claim under or with respect to this Agreement or any provision of this Agreement.

d. Waiver and Amendment. No provision of this Agreement may be waived unless in writing signed by all the parties to this Agreement, and waiver of any one provision of this Agreement shall not be deemed to be a waiver of any other provision. This Agreement may be amended only by a written agreement executed by all of the parties to this Agreement.

e. Severability. Whenever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be or become prohibited or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

f. Captions. The various captions of this Agreement are for reference only and shall not be considered or referred to in resolving questions of interpretation of this Agreement.

g. Governing Law. This Agreement has been made and entered into in the State of Delaware and shall be construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflicts of law thereof.

h. Costs and Attorneys' Fees. If any action, suit, arbitration or other proceeding is instituted to remedy, prevent or obtain relief from a default in the performance by any party to this Agreement of its obligations under this Agreement, the prevailing party shall recover all of such party's attorneys' fees incurred in each and every such action, suit, arbitration or other proceeding, including any and all appeals or petitions therefrom. As used in this Section 9(h), attorneys' fees shall be deemed to mean the full and actual costs of any legal services actually performed in connection with the matters involved calculated on the basis of the usual fee charged by the attorney performing such services and shall not be limited to "reasonable attorneys' fees" as defined in any statute or rule of court.

i. Dispute Resolution.

Except for specific performance and other equitable relief provided for in this Agreement, if any controversy or claim arising out of this Agreement cannot be settled by the parties, the controversy or claim shall be submitted to and settled by arbitration as hereinafter provided. The parties shall endeavor to agree upon a single arbitrator (the "Arbitrator") who shall be a retired judge provided by JAMS or equivalent organization (the "Provider") and who shall then try all issues, whether of fact or law, and report a finding or judgment thereon. If the parties are unable to agree upon the Arbitrator, each party shall provide the names of five retired judges from the Provider; then each party shall choose one of the names from the list proposed by the other, and from those two names the Arbitrator shall be selected by the flip of a coin. Prior to commencement of the arbitration proceedings, the Arbitrator shall make a full disclosure to the parties of any prior engagement by any of the parties, or their attorneys or law firms. Any such prior engagement shall be grounds for disqualification of the Arbitrator, and upon any such disqualification a substitute Arbitrator shall be selected as provided herein. The arbitration proceedings shall be governed by the following:

- i. all hearings and other proceedings shall be in Los Angeles County, California unless the parties shall mutually agree in writing to an alternative location;
- ii. the Arbitrator shall follow and apply Delaware law;
- iii. the California Rules of Evidence shall apply to all proceedings;
- iv. discovery shall be limited to two depositions for each party and document production as allowed at the discretion of the Arbitrator within the rules of Section 1283.05 of the California Code of Civil Procedure;
- v. the time for rendering a decision after hearing shall be in accordance with the published practices of the Provider;
- vi. provisional remedies shall be available to the parties to the arbitration in accordance with Section 1281.8 of the California Code of Civil Procedure;
- vii. the parties to the proceedings shall initially bear the arbitration fees equally; *provided, however,* the prevailing party shall be entitled to recover its contribution for such fees as an item of recoverable costs in addition to all other costs; and
- viii. the prevailing party may bring an action to confirm the arbitration award in any court located in Los Angeles County, California.

j. Rights Cumulative. No right granted to the parties under this Agreement on default or breach is intended to be in full or complete satisfaction of any damages arising out of such default or breach, and each and every right under this Agreement, or under any other document or instrument delivered hereunder, or allowed by law or equity, shall be cumulative and may be exercised from time to time.

k. Judicial Interpretation. Should any provision of this Agreement require judicial interpretation, it is agreed that a court interpreting or construing the same shall not apply a presumption that the terms hereof shall be more strictly construed against any person by reason of the rule of construction that a document is to be construed more strictly against the person who itself or through its agent prepared the same, it being agreed that all parties have participated in the preparation of this Agreement.

I. Force Majeure. If any party to this Agreement is delayed in the performance of any of its obligations under this Agreement or is prevented from performing any such obligations due to causes or events beyond its control, including, without limitation, acts of God, fire, flood, war, terrorism, earthquake, strike or other labor problem, injunction or other legal restraint, present or future law, governmental order, rule or regulation, then such delay or nonperformance shall be excused and the time for performance thereof shall be extended to include the period of such delay or nonperformance.

m. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Asset Purchase Agreement as of the date first set forth above.

APOLLO MEDICAL HOLDINGS, INC.

/s/ Warren Hosseini

By: Warren Hosseini, M.D.
Title: Chief Executive Officer

APOLLO CARE CONNECT, INC.

/s/ Gary Augusta

By: Gary Augusta
Title: Chief Executive Officer

HEALARUM, INC.

/s/ Oded Levy

By: Oded Levy
Title: President

Assets

For purposes of this Agreement, the term:

1. "Assets" shall mean (i) Patent Applications, (ii) Intellectual Property, and (iii) any other assets of Seller currently used by Seller in connection with the Intellectual Property and not specifically listed below as Excluded Assets.
2. "Patent Applications" shall mean:
 - U.S. Provisional Patent Application No. 61/094986 and No. 61/138,177 filed Sept 8th, 2008 and Dec 17th, 2008 respectively.
 - Israel patent application reference 6589 including related documents provided to seller during diligence:
 - 6589 as FILED, Specification, April 13th 2015 and May 20th 2015 patent amendment
3. "Intellectual Property" shall mean:
 - The source code underlying the platform which was developed by Seller under that certain Verizon Master Service Agreement (MA-003313-2011) made as of Jan 13, 2002 and Jan 5, 2002 by and between Verizon and Healarium (the "Verizon Agreement"), and all Seller's rights related thereto
 - All trademarks, trade names, service marks and copyrights, whether registered or not, used in Seller's business as presently conducted, including without limitation:
 - Healthies trademark Reg. No. 4100054 registered on 02/14/2012.
 - Healarium LOGO Reg No 4236649 registered on 11/06/2012.
 - all proprietary knowledge, trade secrets, confidential information, computer software and licenses, formulae, source code, source documentation, training material, installation documentation, designs and drawings, quality control data, processes (whether secret or not), methods, inventions and other similar know-how or rights relating to or arising out of the Intellectual Property, including without limitation:

1. Web server source
2. Android & iOS client's sources;
3. BI (SSRS - reporting, SSIS - integration (etl), SSAS - analysis (cubes)) sources;
4. BI databases: STG & DWH
5. Demo database version 3.0.1
6. Development database version 3.2.2
7. Drupal sources
8. Configuration documentations,
9. Test Cases,
10. Environments Access
11. Issue Tracking system access
12. Verizon Master Services Agreement to include:
 - Personal Health Assistant – Web Client
 - Personal Health Assistant – Smartphone Client
 - Supervision Assistant
 - Executive Assistant
 - Admin

- Records (as defined in Section 3(b)(x) herein);
- The names "Healarium", and any similar or derivative name(s) or variations thereof;
- All web sites and URLs used in Seller's business as present conducted, including without limitation:
 - www.healarium.com
- All Seller's technology documentation related to Intellectual Property including, but not limited to:
 - Healarium Reference Guide 2.0 through 3.2
 - Healarium Open Source Components 3.0
 - Healarium PHA Administrative Guide 3.2

4. "Licensed Technology", means:

- All third-party licensed software ("Licensed Software") used in Seller's business as presently conducted, including without limitation:
 - Microsoft _SQL Server
 - Panorama
 - Microsoft Excel
 - Oracle

- Python
- Django
- Linux
- IIS
- Apache
- Microsoft OLAP Cube
- Web Client Technology – HTML5, CSS, JavaScript
- Other related 3rd party development software used in delivery of Healarium operating platform including all components within Verizon Master Services Agreement

5. "Contracts" means:

- all license, sales, service and similar agreements to which Seller is presently a party, including without limitation:
 - Verizon Master Service Agreement (MA-003313-2011) made as of Jan 13, 2002 and Jan 5, 2002 by and between Verizon and Healarium, which agreement expired in January 2015 and was not renewed;
 - Care Here Customer Agreement between Care Here and Healarium; including
 - June 23rd, 2011 Signed Care Here Agreement
 - First Amendment to Care Here
 - Any other Care Here agreements
- All confidentiality, non-disclosure, mutual non-disclosure or similar agreements to which Seller is a party, including without limitation:
 - Nondisclosure Agreements from:

§ Clemson, Child Health Corp of America, UAB, ASCOM, Care Here, Mayo Clinic, MSK, Lumeris, Henry Schein

6. All other operational assets other than Excluded Assets. "Excluded Assets" means the following assets of Seller:

- The Mayo Clinic Research Shows Cardiac Rehab Patient Who Use Smartphone App Recover Better

- The Application of Self-Monitoring of Cardiovascular Risks, to the extent that such asset has been funded by the BIRD Foundation;
- The shares of Healarium Israel Ltd.; and
- Other non-operational assets of Seller or Healarium Israel Ltd.

**FORM OF
PATENT APPLICATION ASSIGNMENT**

Healarium, Inc. ("Assignor") is owner of Method and System for Analyzing Health Related Data of Patients (the "Invention"), as described in the U.S. Patent Application with U.S. Patent and Trademark Office ("USPTO") Serial Number 61/094986, filed on September 8, 2008 (the "Patent Application"). Pursuant to that certain Asset Purchase Agreement dated January 12, 2016 by and among Apollo Medical Holdings, Inc., a Delaware corporation, Apollo Care Connect, Inc., a Delaware corporation and a wholly-owned subsidiary of Apollo ("Assignee"), and Assignor, Assignee desires to acquire all rights in and to the Patent Application and the patent that may be issued in connection therewith (the "Patent"), and all reexaminations, reissues or extensions that may be granted in connection therewith.

Therefore, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor hereby assigns to Assignee and its successors and assigns, all of Assignor's right, title, and interest in and to the Invention and Patent Application (as well as such rights in any divisions, continuations in whole or part or substitute applications) for the entire term of the issued Patent and all reexaminations, reissues or extensions that may be granted in connection therewith, and for the entire respective terms of any and all foreign patents that may issue from foreign applications (as well as divisions, continuations in whole or part or substitute applications) filed claiming the benefit of the Patent Application.

Assignor authorizes the USPTO and requests the Commissioner of Patents of the United States to record this assignment of all right, title and interest in the Patent to Assignee, and to issue any Patents resulting from the Patent Application to Assignee. This right, title and interest is to be held and enjoyed by Assignee and its successors and assigns as fully and exclusively as it would have been held and enjoyed by Assignor had this assignment not been made.

Assignor further agrees to: (a) cooperate fully with Assignee in the prosecution of the Patent Application and foreign counterparts; (b) execute, verify, acknowledge and deliver all such further papers, including patent applications and instruments of transfer as Assignee may reasonably request; and (c) perform such other acts as Assignee lawfully may request to obtain or maintain the Patent for the invention in any and all countries.

Date: January 12, 2016

HEALARUM, INC. ("Assignor")

By /s/ Oded Levy
Oded Levy
Title: President

GENERAL CONVEYANCE, BILL OF SALE AND ASSIGNMENT AGREEMENT

This GENERAL CONVEYANCE, BILL OF SALE AND ASSIGNMENT AGREEMENT dated as of January 12, 2016 is executed and delivered by Healarium, Inc. a Delaware corporation ("Seller") to Apollo Medical Holdings, Inc., a Delaware corporation ("Apollo") and Apollo Care Connect, Inc., a Delaware corporation (individually, "Acquisition" and collectively with Apollo, "Purchaser").

WITNESSETH:

WHEREAS, Seller and Purchaser are parties to that certain Asset Purchase Agreement dated as of January 12, 2016 (the "Asset Purchase Agreement"), pursuant to which, among other things, Seller has agreed to sell and transfer, and Purchaser has agreed to purchase and accept, the Assets (as defined in the Asset Purchase Agreement); and

WHEREAS, it is a condition to the Closing (as defined in the Asset Purchase Agreement) that Sellers enters into this Bill of Sale to sell and transfer to Purchaser the Assets;

WHEREAS, pursuant to the Asset Purchase Agreement, the Seller has agreed to sell, transfer, convey, assign and deliver to Purchaser the Assets.

NOW, THEREFORE, in consideration of the payment by the Parties to each other of the Purchase Price (as defined in the Asset Purchase Agreement) and in further consideration of the mutual covenants and agreements contained in the Asset Purchase Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller hereby agrees as follows:

1. Seller hereby sells, transfers, conveys, assigns and delivers to Purchaser and their respective successors and assigns, all right, title and interest in and to the Assets, free and clear of any and all liens, claims and Encumbrances (as defined in the Asset Purchase Agreement), to have and to hold, all and singular, for Purchaser's and its successors' and assigns' own use forever.

2. Seller hereby agree to execute and deliver on and after the date hereof such other instruments or documents and to take such additional actions as may be reasonably requested by the other in order to effect or complete the transfers contemplated hereby. Each party hereby agrees on demand to make, execute, acknowledge and deliver any and all further documents and instruments, and to do and cause to be done all such further acts, reasonably requested by the other party to evidence and/or in any manner to perfect the transfers and assignment to Purchaser of the Assets contemplated hereby.

3. This Bill of Sale is intended to evidence the consummation of the sale and transfer by the Seller to the Purchaser of the Assets, all as contemplated by the Asset Purchase Agreement. The Seller, by its execution of this Bill of Sale, and the Purchaser, by their acceptance of this Bill of Sale, each hereby acknowledges and agrees that the remedies of any party under the Asset Purchase Agreement shall not be deemed to be enlarged, modified or altered in any way by this Bill of Sale. Any inconsistencies or ambiguities between this Bill of Sale and the Asset Purchase Agreement shall be resolved in favor of the Asset Purchase Agreement.

4. This Bill of Sale shall inure to the benefit of and is binding upon the respective successors and assigns of the Seller and Purchaser.

5. This Bill of Sale shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to conflict of law principles thereof.

IN WITNESS WHEREOF, the parties have caused this Bill of Sale to be executed and delivered by their duly authorized representatives effective as of the date first written above.

HEALARUM, INC., as Seller

By: /s/ Oded Levy
Oded Levy
Title: President

AGREED AND ACCEPTED:

APOLO MEDICAL HOLDINGS, INC., as Purchaser

By: /s/ Warren Hosseinion
Warren Hosseinion
Title: Chief Executive Officer

APOLO CARE CONNECT, INC., as Buyer

By: /s/ Gary Augusta
Gary Augusta
Title: Chief Executive Officer

NON-DISCLOSURE AGREEMENT

AMENDMENT NO.2 TO INTERCOMPANY REVOLVING LOAN AGREEMENT

This Amendment No. 2 to Intercompany Revolving Loan Agreement (this "Amendment") is entered into as of March 30, 2016 by and between Apollo Medical Management, Inc. ("Lender") and Maverick Medical Group, Inc. ("Borrower") with reference to the following facts:

WHEREAS, Lender and Borrower originally entered into that certain Intercompany Revolving Loan Agreement dated as of February 1, 2013 (the "Original Agreement"), as amended by Amendment No.1 to Intercompany Revolving Loan Agreement dated as of March 28, 2014 (the "Amended Agreement"); and

WHEREAS, the Original Agreement provided, among other things, for a Commitment equal to One Million Dollars (\$1,000,000) extended by Lender in favor of Borrower; and

WHEREAS, Borrower has requested that Lender increase the Commitment; and

WHEREAS, Lender is willing to increase the Commitment on the terms and conditions provided for in this Amendment:

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. All terms not defined in this Amendment shall have the meanings ascribed to them in the Original Agreement.
2. Section 1.3 of the Original Agreement is deleted in its entirety and replaced with the following: "1.3 "Commitment" shall mean an amount equal to Two Million Dollars (\$2,000,000.00)".
3. Section 6.1 of the Original Agreement is amended by changing the suite number for delivery of notices for each of Lender and Borrower to "Suite 1400", with all other address information remaining unchanged.
4. The parties acknowledge and agree that, pursuant to Section 2.6 of the Original Agreement, the Obligations of Borrower have heretofore been evidenced by account entries in Lender's books and records and there is no existing promissory note evidencing the outstanding amount of Borrower's Obligations.
5. Except to the extent provided for herein, all terms and conditions of the Amended Agreement remain in full force and effect. In the event of a conflict between the terms of the Original Agreement or the Amended Agreement and this Amendment, the terms of this Amendment shall govern.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

MAVERICK MEDICAL GROUP, INC.

By: /s/ Mark Marten

Name: Mark Marten

Title: Chief Executive Officer

APOLLO MEDICAL MANAGEMENT, INC.

By: /s/ Warren Hosseinion

Name: Warren Hosseinion

Title: Chief Executive Officer

AMENDED AND RESTATED SUBORDINATION AGREEMENT

THIS AMENDED AND RESTATED SUBORDINATION AGREEMENT (this "Agreement") is effective as of the 30th day of March, 2016, by and between Maverick Medical Group, Inc. ("RBO") and Apollo Medical Management, Inc. ("Lender") with reference to the following facts:

RECITALS

A. RBO is currently operating as a Risk-Bearing Organization pursuant to the Knox- Keene Health Care Service Plan Act of 1975, as amended (the "Act").

B. The Department of Managed Health Care of the State of California ("DMHC") requires RBO to meet the financial solvency requirements as defined in and calculated pursuant to the Act and rules and regulations promulgated thereunder (the "Rules"). The financial solvency requirements include those found in California Health and Safety Code section 1375.4 and sections 1300.75.4 through 1300.75.4.8 of Title 28, California Code of Regulations.

C. In order to assist RBO in meeting the financial solvency requirements of the Act and Rules, Lender has loaned or will, with the execution of this Agreement, loan to RBO, from time to time, an amount or amounts not to exceed Two Million Dollars (\$2,000,000) outstanding at any one time (the "Loan"), under the terms and conditions specified in that certain Intercompany Revolving Loan Agreement dated as of February 1, 2013 (the "Original Agreement"), as amended by Amendment No.1 to Intercompany Revolving Loan Agreement dated as of March 28,2014 and Amendment No. 2 to Intercompany Revolving Loan Agreement dated as of March 30, 2016 (collectively, the "Amended Loan Agreement"), attached hereto as Exhibit "A" and incorporated herein by this reference.

D. The governing body of Lender has approved the Amendment Loan Agreement and this Agreement.

E. To comply with the requirements of the Act and the Rules, it is necessary for Lender to irrevocably and fully subordinate all right, title and interest to receive payment of principal and interest on the Loan under the terms of the Note to all other present and future creditors of RBO.

AGREEMENT

RBO and Lender hereby agree as follows:

1. Lender hereby irrevocably and fully subordinates all right, title and interest in and to repayment of the Loan as evidenced by the Amended Loan Agreement to all other present and future creditors of RBO.
2. Lender agrees that the payment by RBO of principal and interest of the Loan to Lender under the terms of the Amended Loan Agreement will be suspended and will not mature when, excluding the liability of RBO to pay Lender principal and interest on the Loan, if after giving effect to the payment, RBO would not be in compliance with the financial solvency requirements, as defined in and calculated under the Act and Rules.
3. Lender agrees that, in the event of the liquidation or dissolution of RBO, the payment by RBO of principal and interest to Lender on the Loan is fully subordinated and subject to the prior payment or provision for payment in full of all claims of all other present and future creditors of RBO.
4. The terms of the Amended Loan Agreement and the Loan are subject to the terms of this Agreement. To the extent that the terms of the Amended Loan Agreement and the Loan are in conflict with this Agreement, the terms of this Agreement will control.
5. This Agreement amends and restates in its entirety that certain Subordination Agreement dated June 27,2014 between RBO and Lender (the "Original Subordination Agreement"); accordingly, pursuant to paragraph 5 of the Original Subordination Agreement, this Agreement and the Amended Loan Agreement are subject to the prior written consent of the Director of DMHC. Once consent to by the Director of DMHC and executed by the parties hereto, this Agreement may not be cancelled, terminated, rescinded or amended by mutual consent or otherwise, without the prior written consent of the Director of the Department of Managed Health Care of the State of California.
6. This Agreement embodies the entire agreement between RBO and Lender as to the subject of this Agreement and no other document regarding the Loan, the Amended Loan Agreement or this Agreement has been or will be executed without the prior written consent of the Director of DMHC.
7. The provisions of this Agreement are binding upon RBO and Lender, and their respective successors and assigns.
8. This Agreement is made under, and will be governed by, the laws of the State of California in all respects.
9. Lender hereby represents and warrants that the execution of this Agreement has been authorized by a valid board resolution.

IN WITNESS WHEREOF, the authorized representatives of the parties hereby execute this Agreement.

RBO

By: /s/ Mark Marten
Name: Mark Marten
Title: CEO
Date: May 2, 2016

LENDER

By: /s/ Warren Hosseinion
Name: Warren Hosseinion
Title: CEO
Date: May 2, 2016

MEMBERSHIP INTEREST PURCHASE AGREEMENT AND RELEASE

This MEMBERSHIP INTEREST PURCHASE AGREEMENT AND RELEASE (this “**Agreement**”) is made and entered into as of the last date set forth on the signature page hereto (the “**Effective Date**”), by and among Apollo Medical Holdings, Inc., a Delaware corporation (the “**Company**”), Apollo Medical Management, Inc., a California corporation (“**Apollo Management**”), Apollo Palliative Services LLC, a California limited Liability company (“**APS**”), and Dr. Sandeep Kapoor, M.D. (“**Kapoor**”).

A. Kapoor is the registered holder of eighty (80) Membership Interest Units of APS (the “**Kapoor Units**”) which he acquired in exchange for certain membership interests in Best Choice Hospice Care, LLC (“**BCHC**”) pursuant to a Contribution Agreement dated October 27, 2014 among APS, Kapoor and Marine Metspakan (the “**Contribution Agreement**”).

B. Concurrently with the transactions contemplated by the Contribution Agreement, Kapoor sold his remaining membership interests in BCHC to APS pursuant to a Membership Interest Purchase Agreement dated October 27, 2014, among APS, the Company, Kapoor, Marine Metspakan and BCHC (the “**Purchase Agreement**”).

C. Pursuant to Section 3.3 of the Purchase Agreement, Kapoor owes certain amounts, plus interest, to APS, as a purchase price adjustment (the “**Adjustment Amount**”). Pursuant to Section 3.4 of the Purchase Agreement, Kapoor is entitled to a certain amount as the **Kapoor Contingent Purchase Payment** (as defined in the Purchase Agreement), the payment of which is guaranteed by the Company. The Adjustment Amount and the Kapoor Contingent Purchase Payment are together referred to as the “**Monetary Obligations**.”

D. Kapoor was employed by APS pursuant to an Employment Agreement dated on or about October 27, 2014 (the “**Employment Agreement**”), and such employment was terminated as of July 1, 2015.

E. The parties desire to provide for the purchase of the Kapoor Units, the waiver of the Monetary Obligations, and certain releases on the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the premises (which are incorporated herein by reference) and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto, each intending to be bound hereby, agree as follows:

1. Purchase of Kapoor Units and Waiver of Monetary Obligations. Subject to the terms and conditions of this Agreement and as conditions concurrent to the parties’ respective obligations hereunder:

- (a) Kapoor hereby sells, transfers and assigns to Apollo Management good and marketable title to the Kapoor Units free and clear of all claims, liens and encumbrances and, in payment therefor, Apollo Management hereby delivers the sum of \$400,000 to Kapoor by cashiers’ check or the wire transfer of immediately available funds.
- (b) APS hereby waives, forfeits and surrenders all rights to the Adjustment Amount.
- (c) Kapoor hereby waives, forfeits and surrenders all rights to the Kapoor Contingent Purchase Payment.

2. Release.

(a) Release by Kapoor. Kapoor hereby absolutely, forever and fully, specifically, unconditionally and irrevocably releases, acquits, and forever discharges the Company, Apollo Management, APS and their affiliates (collectively, "the **Apollo Parties**"), and each of their respective agents, employees, independent contractors, representatives, partners, managers, members, owners, shareholders, officers, directors, attorneys, insurers, affiliates, assigns, predecessors and successors (collectively, the "**Apollo Releasees**"), of and from any and all claims, actions, causes of action, demands, rights, damages, costs, expenses and compensation, including, but not limited to, attorneys fees and costs, relating to, or arising out of, the Kapoor Contingent Purchase Payment, his acquisition, ownership and sale of the Kapoor Units, the Employment Agreement and his employment by APS, the APS Operating Agreement dated October 27, 2014 (the "**Operating Agreement**"), and his status as a member, officer and employee of APS (collectively, the "**Kapoor Claims**"), whether known or unknown, which Kapoor heretofore had, owned, held or claimed to have, own or hold against any of the Apollo Releasees, or at any time now or in the future may have, own, hold or claim to have, own or hold against any of the Apollo Releasees relating to the Kapoor Claims; provided, however, that this release does not discharge any obligations (i) other than those relating to the Kapoor Claims and all other obligations, representations, warranties and covenants of the Apollo Parties under this Agreement, the Purchase Agreement, the Contribution Agreement and any other agreement with Kapoor, or otherwise, are not the subject of this release and shall remain in full force and effect; and (ii) of the Apollo Releases to indemnify and hold harmless Kapoor from any all claims that be asserted by third parties against Kapoor relating to his employment by, or ownership interest in, Apollo as set forth in Section , below. Without limitation, the Kapoor Claims include claims arising under Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Civil Rights Act of 1991, the Age Discrimination in Employment Act and any analogous local or state law or statute, including without limitation the California Fair Employment and Housing Act, the Employee Retirement Income Security Act, Worker Adjustment and Retraining Notification Act, and any other claim based upon any act or omission of the Apollo Releasees relating to Kapoor's employment by APS occurring prior to the Effective Date of this Agreement.

(b) Release by the Apollo Parties. Each of the Apollo Parties, severally and not jointly, hereby absolutely, forever and fully, specifically, unconditionally and irrevocably releases, acquits, and forever discharges Kapoor, and each of his agents, representatives, partners, attorneys, insurers, affiliates, assigns, and successors (collectively, the "**Kapoor Releasees**"), of and from any and all claims, actions, causes of action, demands, rights, damages, costs, expenses and compensation, including, but not limited to, attorneys fees and costs, relating to, or arising out of, the Adjustment Amount, the Employment Agreement, the Operating Agreement, and Kapoor's status as a member, officer and employee of APS (collectively, the "**Apollo Claims**"), whether known or unknown, which the Apollo Parties heretofore had, owned, held or claimed to have, own or hold against any of the Kapoor Releasees, or at any time now or in the future may have, own, hold or claim to have, own or hold against any of the Kapoor Releasees relating to the Apollo Claims; provided, however, that this release does not discharge any obligations other than those relating to the Apollo Claims and all other obligations, representations, warranties and covenants of Kapoor under this Agreement, the Purchase Agreement, the Contribution Agreement and any other agreement (including non-competition agreements) with the Apollo Parties, or otherwise, are not the subject of this release and shall remain in full force and effect.

(c) Section 1542. Except as set forth in Section 2(a)(i) and (ii) above, and Section 3 below, Kapoor and the Apollo Parties each acknowledge that in the event that at any time after the Effective Date any injury, loss or damage is sustained in connection with any matter released in this Section 2 or any matter set forth elsewhere in this Agreement which is not now known or suspected, or in the event that the loss or damage now known has consequences or results not known or suspected, this Agreement shall nevertheless constitute a full and final release as to the parties and matters herein released, and this release shall apply to and include all such unknown or unsuspected consequences or results. Such parties have read and have been carefully advised by their respective attorneys of the contents of Section 1542 of the California Civil Code which reads as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

The parties have read and have been carefully advised by their respective attorneys of the contents of Section 1542 and each such party hereby expressly, unconditionally and irrevocably waives any and all rights and benefits under said Section 1542.

(d) Assumption of Risk. Each party does hereby expressly assume the risk of any mistake of fact, or that the true facts might be other or different from facts now known or believed to exist. Each party acknowledges and agrees that it is aware that it may hereafter discover claims in relation to the matters referred to in this Agreement, presently unknown or unsuspected, or facts in addition to or different from those which it now knows or believes to be true. Nevertheless, it is such party's intention, by executing this Agreement, to fully, finally and forever settle and release all such matters, and all claims related to the Kapoor Claims and the Apollo Claims, as the case may be. In furtherance of such intention, the releases given herein shall be and remain in effect as a full and complete releases of such matters, notwithstanding the discovery or existence of any such additional or different claims or facts relative thereto by any party.

3. Indemnification and Hold Harmless. Notwithstanding Section 2(a)(i) and (ii), above, the Apollo Parties shall indemnify and hold Kapoor harmless against any third party claim, contention, demand, cause of action, obligation and liability of any nature, character or description whatsoever, including the payment of attorney's fees and costs actually incurred, whether or not litigation is commenced, which may arise from, or relate to, Kapoor's employment by, or ownership interest in, Apollo.

4. Advice of Counsel/Investigation of All Facts/Voluntary Settlement. Each party has had the opportunity to seek the advice of legal counsel prior to the Effective Date. Each party represents and warrants that he/it has read and understood this Agreement. Each party hereby executes this Agreement voluntarily and with full knowledge of its significance, and with the express intention of effecting the extinguishment of any and all obligations and claims arising out of or connected with the matters specified herein. Each party has investigated the facts pertaining to this Agreement and his/its release contained herein, and all matters pertaining thereto, as deemed necessary by such party. Each party has entered into this Agreement in the total absence of any fraud, mistake, duress, coercion, or undue influence and after careful thought and reflection upon this Agreement and the documents referred to herein; and accordingly, by signing this document and the documents referred to herein, each party signifies that this Agreement has been read with full understanding, agreement and acceptance. This Agreement is entered into with the intent of effectuating the extinguishment of the claims released hereunder.

5. Covenant Not to Sue. Kapoor covenants and agrees never to commence, prosecute, join, aid or participate in any way (except as may be required by subpoena or court order), or cause to be commenced or prosecuted against any Apollo Releasee, any action or legal proceeding based in whole or in part upon the Kapoor Claims. Each Apollo Party covenants and agrees never to commence, prosecute, join, aid or participate in any way (except as may be required by subpoena or court order), or cause to be commenced or prosecuted against any Kapoor Releasee, any action or legal proceeding based in whole or in part upon the Apollo Claims. This Agreement may be pleaded as a full and complete defense to any such action or other proceeding, and/or as a basis for abatement of, or injunction against, such action or other proceeding.

6. Kapoor Representations and Warranties. Kapoor represents and warrants to the Apollo Parties:

(a) Ownership of the Kapoor Units. The Kapoor Units are owned of record and beneficially by Kapoor, free and clear of all liens, security interests, encumbrances, restrictions, pledges and claims of every kind. The Kapoor Units constitute Kapoor's entire membership and economic interest in APS.

(b) Authority; Enforceability. Kapoor is older than the age of majority, is of sound mind and is competent and has full right and authority to enter into this Agreement, all other agreements and documents executed in connection with this Agreement, and all documents and agreements necessary to give effect to the provisions of this Agreement, and to perform his obligations hereunder and thereunder. This Agreement has been duly and validly executed and delivered by Kapoor and, subject to the due authorization, execution and delivery by the Apollo Parties, constitutes the legal, valid and binding obligations of Kapoor, enforceable against him in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by general principles of equity.

(c) No Approval or Consent Required. The execution and delivery by Kapoor of this Agreement, and the performance of his obligations hereunder, does not require notice to, or consent or approval of, any governmental agency or other third party.

(d) **Sophisticated Seller.** Kapoor (i) is a sophisticated individual familiar with transactions similar to those contemplated by this Agreement, (ii) has adequate information concerning the business and financial condition of APS to make an informed decision regarding the sale of the Kapoor Units and the value thereof, (iii) has independently and without reliance upon the Apollo Parties, and based on such information and the advice of such advisors as he has deemed appropriate, made his own analysis and decision to enter into this Agreement. Kapoor acknowledges that none of the Apollo Parties or their affiliates is acting as a fiduciary or financial or investment adviser to Kapoor, and has not given Kapoor any investment advice, opinion or other information on whether the sale of the Kapoor Units is prudent. Kapoor acknowledges that the Apollo Parties currently may have, and later may come into possession of, information with respect to APS that is not known to Kapoor and that may be material to a decision to sell the Kapoor Units ("**Excluded Information**"). Kapoor has determined to sell the Kapoor Units notwithstanding his lack of knowledge of the Excluded Information and, accordingly, agrees that the Apollo Parties shall have no liability to Kapoor for, and Kapoor waives and releases, any claims (which shall constitute "Kapoor Claims" for purposes of Section 2(a) hereof) that he might have against the Apollo Parties, whether under applicable securities laws or otherwise, with respect to the nondisclosure of the Excluded Information in connection with the sale of the Kapoor Units. Kapoor understands that the Apollo Parties will rely on the accuracy and truth of the foregoing representations, and Kapoor hereby consents to such reliance.

7. **Apollo Parties' Representations and Warranties.** Each Apollo Party (except for clauses (c) and (d), which are made by Apollo Management only), severally and not jointly, represents and warrants to Kapoor:

(a) **Authority; Enforceability.** Such party has the full right, power and authority to enter into this Agreement, all other agreements and documents executed in connection with this Agreement, and all documents and agreements necessary to give effect to the provisions of this Agreement, and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement by such party and the performance of its obligations hereunder have been duly authorized by all necessary corporate governance action, and all other actions and proceedings required to be taken by or on behalf of such party to enter into this Agreement have been duly and properly taken. This Agreement has been duly and validly executed and delivered by such party and, subject to the due authorization, execution and delivery by Kapoor and the other parties, constitutes the legal, valid and binding obligations of such party, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by general principles of equity.

(b) **No Approval or Consent Required.** The execution and delivery by such party of this Agreement, and the performance by such party of its obligations hereunder, does not require notice to, or consent or approval of, any governmental agency or other third party.

(c) **Investment Intent; Restricted Securities.** Apollo Management is acquiring the Kapoor Units for its own account for investment purposes only and not with a view to, or for sale in connection with, a distribution of the Kapoor Units within the meaning of the Securities Act of 1933, as amended (the "1933 Act"). Apollo Management has no present intention of selling or otherwise disposing of all or any portion of the Kapoor Units. Apollo Management understands and acknowledges that the Kapoor Units are "restricted securities" under the 1933 Act and that it may not transfer any of the Kapoor Units unless such securities are registered under the 1933 Act or unless an exemption from such registration is available.

(d) **Sophisticated Purchaser.** Apollo Management (i) is a sophisticated entity familiar with transactions similar to those contemplated by this Agreement, (ii) has adequate information concerning the business and financial condition of APS to make an informed decision regarding the purchase of the Kapoor Units and the value thereof, and (iii) has independently and without reliance upon Kapoor, and based on such information and the advice of such advisors as it has deemed appropriate, made its own analysis and decision to enter into this Agreement. Apollo Management acknowledges that neither Kapoor nor any of his affiliates is acting as a fiduciary or financial or investment adviser to Apollo Management, and has not given Apollo Management any investment advice, opinion or other information on whether the purchase of the Kapoor Units is prudent.

8. **Binding Effect.** This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors, and assigns without any restrictions.

9. **Enforceability.** If any provision of this Agreement, as applied to any party or to any circumstance, shall be found by a court to be void, invalid or unenforceable, the same shall in no way affect any other provision of this Agreement, the application of any such provision in any other circumstance, or the validity or enforceability of this Agreement.

10. Further Assurances. Each party (and his or its counsel) shall execute and deliver such other and further instruments, documents and papers, and shall perform any and all acts necessary to give full force and effect to all of the terms and provisions of this Agreement.

11. Attorneys' Fees and Costs. Should any party to this Agreement retain counsel for the purpose of enforcing any provision of this Agreement, including without limitation for the purpose of instituting any action or proceeding to enforce any provision of this Agreement, or for damages by reason of any breach of any provision of this Agreement, or for a declaration of such party's rights or obligations under this Agreement, or for any other judicial remedy, then the prevailing party shall be entitled, in addition to such other relief as may be granted, to be reimbursed by the losing party for all reasonable costs and expenses incurred, including without limitation attorneys' fees and costs for services rendered to the prevailing party and any attorneys' fees and costs incurred in enforcing or collecting any judgment entered or in connection with any bankruptcy proceeding. Notwithstanding the foregoing, all attorneys' fees and costs incurred by any party in connection with the negotiation and documentation of this Agreement shall be borne by such party. Any litigation or arbitration between the parties shall occur exclusively in the County of Los Angeles, California.

12. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California applicable to contracts entered into and fully to be performed therein.

13. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Each of the parties agrees that each of the other parties may rely upon the facsimile or PDF signature of any party on this Agreement as constituting a duly authorized, irrevocable, actual, current delivery of this Agreement as fully as if this Agreement contained the original ink signature of the party or parties supplying a facsimile or PDF signature.

14. Integration. This Agreement constitutes a single, integrated written contract expressing the entire agreement of the parties hereto relating to the subject matter hereof. No covenants, agreements, representations or warranties of any kind whatsoever have been made by any party hereto, except as specifically set forth in this Agreement, and all prior discussions, negotiations and agreements, whether written or oral have been, and are, merged and integrated into, and are superseded by, this Agreement.

15. Neutral Interpretation. In any action to construe the terms of this Agreement, this Agreement shall be considered the product of negotiation by and among the parties hereto. No clause or provision shall be interpreted more strongly in favor of one party or the other, based upon the source of the draftsmanship, but shall be interpreted in a neutral manner.

16. Notices. Any notice, request, demand, instruction or other communication given hereunder by any party must be in writing and will be validly and timely given or made to another party if (i) served personally, (ii) deposited in the United States mail, certified or registered, postage prepaid, return receipt requested, (iii) delivered by overnight courier, or (iv) sent by facsimile, to such party at the address set forth on the signature page hereof. If such notice is served personally, such notice will be deemed to be given at the time of such personal service. If notice is served by mail, such notice will be deemed to be given three business days after the deposit of same in any United States mail post office box. If such notice is served by overnight courier, such notice will be deemed to be given on the next business day following the acceptance of such notice for delivery by such overnight courier. If such notice is served by facsimile, such notice will be deemed to be given at the time such notice is sent, provided that an additional copy of such notice is sent the same day by another acceptable means of giving notice under this Section 15. Any person entitled to receive notice under this Agreement may change the address or facsimile number to which such notice may be sent, by giving notice thereof pursuant to this Section 15.

17. Survival. All covenants, representations and warranties contained in this Agreement shall, without any limitation, survive the execution of this Agreement and the consummation of the transactions and undertakings contained in this Agreement.

18. Time Is Of The Essence. Time is of the essence with respect to any act, performance, or payment under this Agreement.

19. No Third Party Beneficiaries. Other than as specifically provided in Section 2, no person who is not a party to this Agreement shall be deemed to be a third party beneficiary of any covenants, representation or warranty herein contained.

20. Captions. The captions of the various sections herein are for convenience only, and none of them is intended to be any part of the body or text of this Agreement, nor are they intended to be referred to in construing any of the provisions hereof.

21. Amendment. No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing signed by all parties.

22. Waiver. The failure of any party to exercise any of its rights or remedies in the event of a default by another party shall not be a waiver of such default, a modification of this Agreement or such defaulting party's obligations under this Agreement, or a waiver of any subsequent default by such defaulting party.

23. Non-Disparagement. Each party agrees that it or he will not, either by conversation or any other oral expression, by letter or any other written, electronic or digital expression, or by any other deed or act of communication, privately or publicly, disparage, criticize, condemn, or impugn the reputation or character of any other party to this Agreement (including his or its predecessors, successors, parents, subsidiaries, affiliates, divisions, officers, directors, employees, attorneys, owners, agents, representatives, assigns, heirs, legatees, personal representatives, executors, trustees, beneficiaries, or receivers).

24. Resignation. Kapoor hereby resigns from each and every office he holds in APS.

[Signature page follows]

IN WITNESS WHEREOF, this Membership Interest Purchase Agreement and Release has been executed on the dates set forth below.

Party	Date	Address
APOLO MEDICAL HOLDINGS, INC. <hr/> <u>BY: /s/ Warren Hosseinion</u> <u>Name: Warren Hosseinion, M.D.</u> <u>Title: Chief Executive Officer</u> <hr/>	12/9/2015	700 N. Brand Blvd. Suite 220 Glendale, California 91203 Attn: Chief Executive Officer Fax: (818) 844-3885
APOLO MEDICAL MANAGEMENT, INC. <hr/> <u>BY: /s/ Warren Hosseinion</u> <u>Name: Warren Hosseinion, M.D.</u> <u>Title: Chief Executive Officer</u> <hr/>	12/9/2015	700 N. Brand Blvd. Suite 220 Glendale, California 91203 Attn: Chief Executive Officer Fax: (818) 844-3885
APOLO PALLIATIVE SERVICES, LLC <hr/> <u>BY: /s/ Warren Hosseinion</u> <u>Name: Warren Hosseinion, M.D.</u> <u>Title: Chief Executive Officer</u> <hr/>	12/9/2015	c/o Apollo Medical Management, Inc. 700 N. Brand Blvd. Suite 220 Glendale, California 91203 Attn: Chief Executive Officer Fax: (818) 844-3885
<hr/> <u>/s/ Sandeep Kapoor, M.D.</u> <u>DR. SANDEEP KAPOOR, M.D.</u> <hr/>	12/7/2015	12311 Ventura Blvd. Studio City, CA 91604 Fax: 818

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the “Agreement”) is made and entered into as of June 29, 2016, by and between Apollo Medical Management, Inc., a Delaware corporation (the “Employer”), and Warren Hosseinion, M.D. (the “Employee”). Together, the Employer and Employee are collectively sometimes referred to herein as the Parties.

RECITALS:

WHEREAS, the Parties entered into an Employment Agreement dated March 28, 2014, as amended by the First Amendment to Employment Agreement dated as of January 12, 2016 (collectively, the “Prior Agreement”), pursuant to which Employee provides senior management services to Employer; and

WHEREAS, Employee and ApolloMed Hospitalists, a Professional Corporation, a California professional corporation (“Hospitalists”), and an Affiliate of the Employer, are parties to a Hospitalist Participation Service Agreement dated March 28, 2014 (the “Hospitalists Agreement”), pursuant to which Employee from time to time provides inpatient medical services for Hospitalists; and

WHEREAS, the Parties desire to amend the Employment Agreement and the Hospitalists Agreement to reflect the nature and extent of the services provided by Employee to Employer and Hospitalists, respectively, and to provide for the appropriate compensation therefor;

NOW, THEREFORE, in consideration of the foregoing Recitals, which are incorporated herein by this reference, the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties amend and restate the Prior Agreement to read in full as follows:

1. Employment. The original term of this Agreement commenced as of April 1, 2014 (the “Commencement Date”) and continued thereafter for a period of one year. The term of this Agreement shall automatically extend for subsequent one year terms renewing on each respective anniversary of the Commencement Date (the date of each such renewal shall be the “Renewal Date”), unless, not less than 60 days prior to each such Renewal Date, either party shall have given notice to the other that the Agreement will not be renewed. Each term of this Agreement, beginning with the Commencement Date or any subsequent Renewal Date, shall be subject to termination as provided in Section 4 and may be referred to herein as the “Term.”

2. Positions and Duties. During the Term, the Employee shall serve as a senior executive of the Employer. The Employee shall devote such working time and efforts as may be necessary to the business and affairs of the Employer.

3. Compensation and Related Matters.

(a) Base Salary. The Employer shall pay the Employee for all services rendered a base salary of \$450,000 per year (the “Base Salary”), payable in accordance with the Employer’s payroll procedures, subject to customary withholdings and employment taxes. The Base Salary may be re-evaluated annually at the sole discretion of the Employer and may be increased at the sole discretion of the Employer.

(b) Incentive Compensation. The Employee shall be entitled to participate in any Employer incentive compensation plans as are now available or may become available to other similarly positioned employees of the Employer. The Employee's entitlement to a bonus under any such plan is governed by the terms of that plan.

(c) Equity Awards. The Employee shall be eligible to participate in any stock plan available to similarly positioned executives (collectively, the "Stock Plan"). From time to time, the Company's Board may, in its sole discretion, grant stock options or other equity compensation to the Employee pursuant to the Stock Plan.

(d) Paid Time Off. During the term, the Employee shall be entitled to 20 days of paid time off ("PTO") per calendar year which shall be accrued ratably during the calendar year, to be taken at such times and intervals as shall be agreed to by the Employer and the Employee in their reasonable discretion. Employee shall be entitled to accrue a maximum of 20 days of paid time off. Accrued and unused PTO up to the entitled 20 days which the Employee has failed to take during the calendar year shall be paid as ordinary income at the end of the calendar year.

(e) Expenses. The Employee shall be entitled to reimbursement of expenses incurred on behalf of Employer. Employer agrees to maintain an insurance policy providing reasonable and customary insurance coverage for errors and omissions of its directors and officers made in the course and scope of employment with Employer at no cost to Employee.

(f) Other Benefits. During the Term, the Employee shall be entitled to continue to participate in or receive benefits under any employee benefit plan or arrangement which is or may, in the future, be made available by the Employer to its employees, subject to and on a basis consistent with the terms, conditions and overall administration of such plan or arrangement. These benefits will include, but are not limited to (i) health insurance for Employee and all his dependents at no additional cost to Employee, and (ii) the payment of insurance premiums for short-term and long-term disability insurance providing for no less than 100% of Employee's base salary compensation to be payable to the employee as long as the disability persists that substantially prevents employment in the same occupation as the position Employee last held with Employer but not beyond age 70.

(g) Tax Withholding. The Employer shall undertake to make deductions, withholdings and tax reports with respect to payments and benefits under this Agreement, to the extent it reasonably and in good faith believes it is required to make such deductions, withholdings and tax reports. Payments under this Agreement shall be in amounts net of any such deductions or withholdings. Nothing in this Agreement shall be construed to require the Employer to make any payments to compensate the Employee for any adverse tax effect associated with any payments or benefits, or for any deduction or withholding from any payment or benefit.

(h) Term Life Insurance. The Employer shall secure during the Term of this Agreement a policy of term life insurance on behalf of Employee with an insurance company admitted and licensed in the State of California with minimum coverage of one million dollars (\$1,000,000). The Employer shall supply evidence of insurance coverage upon the Employee's demand at any time. Should the Employee elect to obtain such coverage through an insurance carrier of his choosing, the Employer shall remit the costs of the premiums for up to the minimum coverage required hereunder on a monthly basis to the Employee as invoiced by the Employee.

4. Termination. The Employee's employment hereunder may be terminated without any breach of this Agreement under the following circumstances:

(a) Death. The Employee's employment hereunder shall terminate upon the Employee's death.

(b) Termination by the Employer for Cause. At any time during the Term, the Employer may terminate the Employee's employment hereunder for Cause. For purposes of this Agreement, "Cause" shall mean: (i) conduct by the Employee constituting a material act of willful misconduct in connection with the performance of the Employee's duties, including, without limitation, misappropriation of funds or property of the Employer or any of its subsidiaries or Affiliates other than the occasional, customary and de minimis use of the Employer's property for personal purposes; (ii) the commission by the Employee of any felony or a misdemeanor involving moral turpitude, deceit, dishonesty or fraud, or any conduct by the Employee that would reasonably be expected to result in material injury to the Employer or any of its subsidiaries or Affiliates if the Employee were retained in the Employee's position; (iii) continued, willful and deliberate non-performance by the Employee of the Employee's duties hereunder (other than by reason of the Employee's physical or mental illness, incapacity or disability); (iv) a material breach by the Employee of this Agreement; (v) a violation by the Employee of the Employer's employment policies which has continued following written notice of such violation (vi) failure to obtain or maintain in good order a license to practice medicine in the State of California or any other licenses required for the Employee to perform the Employee's duties under this Agreement; (vii) willful failure to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the Employer to cooperate, or the willful destruction or failure to preserve documents or other materials known to be relevant to such investigation or the willful inducement of others to fail to cooperate or to produce documents or other materials in connection with such investigations; or (viii) a material and, to the extent cure is permitted under the applicable agreement, uncured breach by Employee under any one of the following (as each such agreement may be amended or replaced from time to time):

(A) the Hospitalist Participation Service Agreement dated of even date herewith or other services agreement with Hospitalists, as the same may be amended from time to time,

(B) that certain Shareholder Agreement dated as of March 28, 2014, between Employee, Apollo Medical Holdings, Inc., a Delaware corporation, Warren Hosseini, M.D., Adrian Vazquez, M.D. and NNA of Nevada, Inc., a Nevada corporation,

(C) that certain Physician Shareholder Agreement dated as of March 28, 2014, by Employee in favor of Employer and Apollo Medical Holdings, Inc., a Delaware corporation, and for the account of Maverick Medical Group, Inc., a California professional corporation,

(D) that certain Physician Shareholder Agreement dated as of March 28, 2014, by Employee in favor of Employer and Apollo Medical Holdings, Inc., a Delaware corporation, and for the account of ApolloMed Care Clinic, A Professional Corporation, a California professional corporation, or

(E) that certain Physician Shareholder Agreement dated as of March 28, 2014, by Employee in favor of Employer and Apollo Medical Holdings, Inc., a Delaware corporation, and for the account of ApolloMed Hospitalists, A Medical Corporation, a California professional corporation.

(d) Termination Without Cause. At any time during the Term, the Employer may terminate the Employee's employment hereunder without Cause. Any termination by the Employer of the Employee's employment under this Agreement which does not constitute a termination for Cause under Section 4(c) and does not result from the death or disability of the Employee under Sections 4(a) or (b) shall be deemed a termination without Cause.

(e) Termination by the Employee. At any time during the Term, the Employee may terminate his employment hereunder for any reason, including but not limited to Good Reason. For purposes of this Agreement, "Good Reason" shall mean that the Employee has complied with the "Good Reason Process" (hereinafter defined) following the occurrence of any of the following events: (i) a material diminution in the Employee's responsibilities, authority or duties;; or (ii) the material breach of this Agreement by the Employer. "Good Reason Process" shall mean (i) the Employee reasonably determines in good faith that a "Good Reason" condition has occurred; (ii) the Employee notifies the Employer in writing of the occurrence of the Good Reason condition within 60 days of the occurrence of such condition; (iii) the Employee cooperates in good faith with the Employer's efforts, for a period of 60 days following such notice (the "Cure Period"), to remedy the condition; (iv) notwithstanding such efforts, the Good Reason condition continues to exist; and (v) the Employee terminates his employment within 60 days after the end of the Cure Period. If the Employer cures the Good Reason condition during the Cure Period, Good Reason shall be deemed not to have occurred.

(f) Notice of Termination. Except for termination as specified in Section 4(a), any termination of the Employee's employment shall be communicated by written Notice of Termination by the terminating party to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon.

(g) Date of Termination. "Date of Termination" shall mean the earliest of the following: (i) if the Employee's employment is terminated by the Employee's death, the date of the Employee's death; (ii) if the Employee's employment is terminated on account of disability under Section 4(b) or by the Employer for Cause under Section 4(c), the date on which Notice of Termination is given; (iii) if the Employee's employment is terminated by the Employer under Section 4(d), 30 days after the date on which a Notice of Termination is given; (iv) if the Employee's employment is terminated by the Employee under Section 4(e) without Good Reason, 30 days after the date of which a Notice of Termination is given; (v) if the Employee's employment is terminated by the Employee under Section 4(e) with Good Reason, the date on which Notice of Termination is given after the end of the Cure Period; or (vi) the first anniversary of the Commencement Date that is not also a Renewal Date. Notwithstanding the foregoing, in the event that the Employee gives a Notice of Termination to the Employer, the Employer may unilaterally accelerate the Date of Termination but such acceleration shall nevertheless be deemed a termination by the Employee on the accelerated date for purposes of this Agreement.

5. Compensation Upon Termination.

(a) Termination or Nonrenewal Generally. If the Employee's employment with the Employer is terminated for any reason during the Term, or if the Term is not renewed, the Employer shall pay or provide the Employee (or the Employee's authorized representative or estate) any earned but unpaid Base Salary for services rendered through the Date of Termination, unpaid expense reimbursements, and accrued but unused paid time off (the "Accrued Benefits") within the time prescribed by California law. With respect to vested benefits the Employee may have under any employee benefit plan of the Employer, payment will be made to the Employee under the terms of the applicable plan.

(b) Termination by the Employer Without Cause or by the Employee With Good Reason. If the Employee's employment is terminated by the Employer without Cause as provided in Section 4(d), or the Employee terminates his employment for Good Reason as provided in Section 4(e), or the Employer provides notice of intent not to renew pursuant to Section 1, then the Employer shall, through the Date of Termination, pay the Employee his or her Accrued Benefits, and any of the Employee's vested benefits under any employee benefit plan of the Employer shall be paid to the Employee under the terms of the applicable plan. If the Employee signs a general release of claims in a form and manner satisfactory to the Employer (an example of which is attached as Exhibit A to this Agreement) (the "Release") within 21 days of the receipt of the form of the Release (extended to 45 days in the event of a group termination or exit incentive program) and does not revoke such Release during the seven-day revocation period:

(i) the Employer shall pay the Employee an amount equal to four weeks of Employee's most recent Base Salary for every full year of Employee's Service Credit, but such amount shall be no less than six months' worth and no more than one year's worth of the Employee's most recent Base Salary (the "Severance Amount"). For purposes of this Agreement, (A) "Base Salary" shall mean the aggregate base salary paid to the Employee by the Employer and all its Affiliates; and (B) "Service Credit" shall mean the longest number of years of active employment by the Employee for the Employer or any of its Affiliates. To the extent that such Severance Amount exceeds the 409A Separation Pay Limit (as defined below), such amount shall be paid in a single lump sum on the regular payroll date of the Employer, pertaining to then current salaried employees of the Employer, ("payroll date") next following the first anniversary date of the Employee's Date of Termination or first permissible date afterward. The portion of the Severance Amount that does not exceed the 409A Separation Pay Limit shall be paid in substantially equal amounts on each payroll date in accordance with the Employer's normal payroll practices over consecutive periods of three months for each year of Base Salary that is due as the Severance Amount, beginning on the first payroll date after the Date of Termination or expiration of the seven-day revocation period of the Release, if later, provided, however, that all such payments shall be concluded prior to the last day of the second (2d) taxable year of the Employee following the taxable year of the Employee in which the Employee has a separation from service as defined in Section 409A; and

(ii) the Employer shall pay the Employee an amount equal to the Employer's premium amounts paid for coverage of Employee at the time of the Employee's termination of coverage under the Employer's group medical, dental and vision programs for a period of twelve (12) months, to be paid directly to the Employee at the same times such payments would be paid on behalf of a current employee for such coverage; provided, however:

- (A) No payments shall be made under this paragraph (ii) unless the Employee timely elects continued coverage under such plan(s) pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 as amended ("COBRA");
- (B) This paragraph (iii) shall not be read or construed as placing any restrictions upon amounts paid under this paragraph (ii) as to their use;
- (C) Payments under this paragraph (iii) shall cease as of the earliest to occur of the following:
 - (1) the Employee is no longer eligible for and continuing to receive the COBRA coverage elected in subparagraph (A);
 - (2) the time period set forth in the first sentence of this paragraph (iii),
 - (3) the date on which the Employee first becomes eligible to enroll in a group health plan in which eligibility is based on employment with an employer, and
 - (4) if the Employer in good faith determines that payments under this paragraph (iii) would result in a discriminatory health plan pursuant to the Patient Protection and Affordable Care Act of 2010, as amended.

(iii) Each individual payment of Severance Amount under Section 5.b.(ii), and each payment under Section 5.b.(iii), of this Agreement, shall be deemed to be a separate "payment" for purposes and within the meaning of Treasury Regulation Section 1.409A-2(b)(2)(iii).

(iv) Each individual payment of the Severance Amount under Section 5.b.(ii), and each payment under Section 5.b.(iii), of this Agreement, which are considered "non-qualified deferred compensation" ("NQDC") under Section 409A shall be made on the date(s) provided herein and no request to accelerate or defer any such payment under this Agreement shall be considered or approved for any reason whatsoever, except as permitted under Section 409A and as the Employer allows in its sole discretion. The Employer may in its sole discretion accelerate or defer (but not beyond the time limit set forth below) any severance payments which do not constitute NQDC in order to allow for the payment of taxes due, but not beyond the time limit specified for such payment such that the payment would be treated as NQDC. Subject to the requirements of Section 409A, if any payment of severance payment under Section 5.b.(ii), or reimbursement under Section 5.b.(iii), of this Agreement is determined in good faith by the Employer to constitute NQDC payable to a "specified employee" as defined under Section 409A, then the Employer shall make any such payment not earlier than the earlier of: (x) the date which is six (6) months following the Employee's separation from service with the Employer, or (y) the date of Employee's death.

(v) for purposes of this Section 5, "Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

(vi) for purposes of this Section 5, "409A Separation Pay Limit" means two times the lesser of (x) the Employee's Base Salary plus bonus earned from services provided to the Employer during the calendar year preceding the year of the termination of employment; and (y) the adjusted compensation limit under Code section 401(a)(17) in effect for the year of the termination.

Notwithstanding the foregoing, if the Employee breaches this Agreement, including, without limitation, Section 6 of this Agreement, all payments of the Severance Amount and the Employer's payment for medical, dental, and vision insurance continuation shall immediately cease.

6. Confidential Information, Non-Solicitation, and Cooperation.

(a) Definitions.

(i) As used in this Agreement, "Affiliate" means, as to any Person, (i) any other Person which directly, or indirectly through one or more intermediaries, controls such Person or is consolidated with such Person in accordance with generally accepted accounting principles in the United States (U.S. GAAP); (ii) any other Person which directly, or indirectly through one or more intermediaries, is controlled by or is under common control with such Person; or (iii) any other Person of which such Person owns, directly or indirectly, ten percent (10%) or more of the common stock or equivalent equity interests. As used herein, the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities or otherwise.

(ii) As used in this Agreement, "Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization.

(b) Confidential Information. As used in this Agreement, "Confidential Information" means information belonging to the Employer or its Affiliates which is of value to the Employer or any of its Affiliates in the course of conducting its business (whether having existed, now existing, or to be developed or created during Employee's employment by Employer) and the disclosure of which could result in a competitive or other disadvantage to the Employer or its Affiliates. Confidential Information includes, without limitation, contract terms and rates; negotiating and contracting strategies; facility participation status; financial information, reports, and forecasts; inventions, improvements and other intellectual property; product plans or proposed product plans; trade secrets; know how; designs, processes or formulae; software; market or sales information, plans or strategies; employee, customer, patient, provider and supplier information; information from patient medical records; financial data; insurance reimbursement methodologies, strategies, and practices; product and service pricing methodologies, strategies and practices; contracts with physicians, providers, provider networks, payors, physician databases and contracts with hospitals; regulatory and clinical manuals; and business plans, prospects and opportunities (such as possible acquisitions or dispositions of businesses or facilities) that have been discussed or considered by the Employer or its Affiliates, including without limitation the management of the Employer or its Affiliates. Confidential Information includes information developed by the Employee in the course of the Employee's employment by the Employer, as well as other information to which the Employee may have access in connection with the Employee's employment. Confidential Information also includes the confidential information of others with which the Employer or its Affiliates has a business relationship. Notwithstanding the foregoing, Confidential Information does not include information in the public domain, unless due to breach of the Employee's duties under Section 6(b), unless otherwise due to Employee's breach of the obligations in this Agreement, or unless due to violation of another person's obligations to the Employer or its Affiliates that Employee should have taken reasonable measures to prevent but that Employee did not take..

(c) Confidentiality. The Employee understands and agrees that the Employee's employment creates a relationship of confidence and trust between the Employer and the Employee with respect to all Confidential Information. At all times, both during the Employee's employment with the Employer and after the Employee's termination from employment for any reason, the Employee shall keep in confidence and trust all such Confidential Information, and shall not use, disclose, or transfer any such Confidential Information without the written consent of the Employer, except as may be necessary within the scope of Employee's duties with Employer and in the ordinary course of performing the Employee's duties to the Employer. Employee understands and agrees not to sell, license or otherwise exploit any products or services which embody or otherwise exploit in whole or in part any Confidential Information or materials. Employee acknowledges and agrees that the sale, misappropriation, or unauthorized use or disclosure in writing, orally or by electronic means, at any time of Confidential Information obtained by Employee during or in connection with the course of Employee's employment constitutes unfair competition. Employee agrees and promises not to engage in unfair competition with Employer or its Affiliates, either during employment or at any time thereafter.

(d) Documents, Records, etc. All documents, records, data, apparatus, equipment and other physical property, whether or not pertaining to Confidential Information, that are furnished to the Employee by the Employer or its Affiliates or are produced by the Employee in connection with the Employee's employment will be and remain the sole property of the Employer and its Affiliates. The Employee shall return to the Employer all such materials and property as and when requested by the Employer. In any event, the Employee shall return all such materials and property immediately upon termination of the Employee's employment for any reason. The Employee shall not retain any such material or property or any copies thereof after such termination. It is specifically agreed that any documents, card files, notebooks, programs, or similar items containing customer or patient information are the property of the Employer and its Affiliates regardless of by whom they were compiled.

(e) Disclosure Prevention. The Employee will take all reasonable precautions to prevent the inadvertent or accidental exposure of Confidential Information.

(f) Removal of Material. The Employee will not remove any Confidential Information from the Employer's or its Affiliate's premises except for use in the Employer's business, and only consistent with the Employee's duties with the Employer.

(g) Copying. The Employee agrees that copying or transfer of Confidential Information (by any means) shall be done only as needed in furtherance of and for use in the Employer's and its Affiliate's business, and consistent with the Employee's duties with the Employer. The Employee further agrees that copies of Confidential Information shall be treated with the same degree of confidentiality as the original information and shall be subject to all restrictions herein.

(h) No "Moonlighting". During the Employee's employment with the Employer, the Employee agrees not to accept or continue in any job, consulting work, directorship, or employment that may conflict with Employee's duties and responsibilities to Employer, including the duty of loyalty, without the written approval of senior management of the Employer. Without limitation, Employee's provision of physician services to Hospitalists pursuant to the Hospitalists Agreement, as amended from time to time, or other service agreement, and all work done on behalf of any other affiliate of Employer, shall not be deemed a violation of this provision.

(i) Computer Security. During the Employee's employment with the Employer, the Employee agrees only to use Employer's and its Affiliate's computer resources (both on and off the Employer's premises) for which the Employee has been authorized and granted access. The Employee agrees to comply with the Employer's policies and procedures concerning computer security.

(j) E-Mail. The Employee acknowledges that the Employer retains the right to review any and all electronic mail communications made with employer provided email accounts, hardware, software, or networks, with or without notice, at any time.

(k) Assignment. The Employee acknowledges that any and all inventions, discoveries, designs, developments, methods, modifications, improvements, trade secrets, processes, software, formulae, data, "know-how," databases, algorithms, techniques and works of authorship whether or not patentable or protectable by copyright or trade secret, made or conceived, first reduced to practice, or learned by the Employee, either alone or jointly with others, during the Term that (i) relate to or are useful in the business of the Employer or its Affiliates, or (ii) are conceived, made or worked on at the expense of or during the Employee's work time for the Employer, or using any resources or materials of the Employer or its Affiliates, or (iii) arise out of tasks assigned to the Employee by the Employer (together "Proprietary Inventions") will be the sole property of the Employer or its Affiliates. The Employee acknowledges that all work performed by the Employee is on a "work for hire" basis and the Employee hereby assigns or agrees to assign to the Employer the Employee's entire right, title and interest in and to any and all Proprietary Inventions and related intellectual property rights. The Employee agrees to assist the Employer to obtain, maintain and enforce intellectual property rights for Proprietary Inventions in any and all countries during the Term, and thereafter for as long as such intellectual property rights exist.

NOTICE TO CALIFORNIA EMPLOYEES

Pursuant to California Labor Code § 2872, an agreement requiring the employee to assign or offer to assign any of his or her rights in any invention to his or her employer does not apply to an invention which qualifies fully under the provisions of California Labor Code § 2870, which provides as follows:

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of the State of California and is unenforceable.

(l) Non-Solicitation. Employee agrees and covenants that, at any time during the Employee's employment with the Employer and for a period of twelve (12) months immediately following the termination of Employee's relationship with the Employer for any reason, whether with or without cause, the Employee shall not, either on the Employee's own behalf or on behalf of any other person: (i) solicit the services of or entice away, directly or indirectly, any person employed or engaged by or otherwise providing services to the Employer or its Affiliates (this provision does not prohibit the Employee's post-termination acceptance of unsolicited applications for employment); or (ii) take any illegal action or engage in any unfair business practice, including without limitation any misappropriation of confidential, proprietary, or trade secret information of the Employer or its Affiliates, as a result of which relations between the Employer or its Affiliates, and any of their customers, clients, suppliers, distributors or others, may be impaired or which might otherwise be detrimental to the business interests or reputation of the Employer or its Affiliates.

(m) Third-Party Agreements and Rights. The Employee hereby confirms that the Employee is not bound by the terms of any agreement with any previous employer or other party which restricts in any way the Employee's use or disclosure of information or the Employee's engagement in any business except as Employee has previously provided written notice to Employer and has attached to this Agreement. The Employee represents to the Employer that the Employee's execution of this Agreement, the Employee's employment with the Employer and the performance of the Employee's proposed duties for the Employer will not violate any obligations the Employee may have to any previous employer or other party. In the Employee's work for the Employer, the Employee will not disclose or use any information in violation of any agreements with or rights of any such previous employer or other party, and the Employee will not bring to (by any means) the premises of the Employer any copies or other tangible embodiments of non-public information belonging to or obtained from any such previous employment or other party.

(n) Litigation and Regulatory Cooperation. During and after the Employee's employment, the Employee shall cooperate fully with the Employer in the defense or prosecution of any claims or actions now in existence or that may be brought in the future against or on behalf of the Employer that relate to events or occurrences that transpired while the Employee was employed by the Employer. The Employee's full cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Employer at mutually convenient times. During and after the Employee's employment, the Employee also shall cooperate fully with the Employer in connection with any investigation or review of any federal, state, or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while the Employee was employed by the Employer. The Employer shall reimburse the Employee for any reasonable out of pocket expenses incurred in connection with the Employee's performance of obligations pursuant to this Section. "Full cooperation" shall not be construed to in any way require any violation of law or any testimony that is false or misleading.

(o) Enforcement; Injunction. The Employee acknowledges and agrees that the restrictions contained in this Agreement are reasonable and necessary to protect the business and interests of the Employer and its Affiliates, do not create any undue hardship for the Employee, and that any violation of the restrictions in this Agreement would cause the Employer and its Affiliates substantial irreparable injury. Accordingly, the Employee agrees that a remedy at law for any breach or threatened breach of the covenants or other obligations in Section 6 this Agreement would be inadequate and that the Employer, in addition to any other remedies available, shall be entitled to obtain preliminary and permanent injunctive relief to secure specific performance of such covenants and to prevent a breach or contemplated or threatened breach of this Agreement without the necessity of proving actual damage and without the necessity of posting bond or security, which the Employee expressly waives. Moreover, the Employee will provide the Employer a full accounting of all proceeds and profits received by the Employee as a result of or in connection with a breach of Section 6 this Agreement. Unless prohibited by law, the Employer shall have the right to retain any amounts otherwise payable by the Employer to the Employee to satisfy any of the Employee's obligations as a result of any breach of Section 6 of this Agreement. The Employee hereby agrees to indemnify and hold harmless the Employer and its Affiliates from and against any damages incurred by the Employer or its Affiliates as assessed by a court of competent jurisdiction as a result of any breach of Section 6 of this Agreement by the Employee. The prevailing party shall be entitled to recover its reasonably attorneys' fees and costs if it prevails in any action to enforce Section 6 of this Agreement. It is the express intention of the parties that the obligations of Section 6 the Agreement shall survive the termination of the Employee's employment. The Employee agrees that each obligation specified in Section 6 of this Agreement is a separate and independent covenant that shall survive any termination of this Agreement and that the unenforceability of any of them shall not preclude the enforcement of any other covenants in Section 6 of this Agreement. No change in the Employee's duties or compensation shall be construed to affect, alter or otherwise release the Employee from the covenants herein.

(p) Permitted Disclosures of Confidential Information. Nothing in this Agreement is intended to or does prevent the Employee from disclosing Confidential Information (i) to the extent such disclosure is required in response to a valid subpoena or other legal process, provided that before making such disclosure, the Employee furnishes the Employer with advance notice of such subpoena or other legal process to allow the Employer sufficient time to obtain, in the Employer's discretion, an appropriate protective order or otherwise oppose or limit such disclosure, or (ii) to the extent such disclosure is made pursuant to Section 7(b) of the Defend Trade Secrets Act of 2016, which provides:

"(b) IMMUNITY FROM LIABILITY FOR CONFIDENTIAL DISCLOSURE OF A TRADE SECRET TO THE GOVERNMENT OR IN A COURT FILING .—

(1) IMMUNITY.—An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—

(A) is made—

(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and

(ii) solely for the purpose of reporting or investigating a suspected violation of law; or

(B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(2) **USE OF TRADE SECRET INFORMATION IN ANTI-RETALIATION LAWSUIT.**—An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual—

(A) files any document containing the trade secret under seal; and

(B) does not disclose the trade secret, except pursuant to court order".

7 . **Successors.** This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and permitted assigns, including any corporation or entity with which or into which the Employer may be merged or which may succeed to its assets or business, provided, however, that Employee's obligations are personal and shall not be assigned by Employee. The Employee consents to any assignment by the Employer of this Agreement. In the event of the Employee's death after the Date of Termination but prior to the completion by the Employer of all payments due to the Employee under this Agreement, the Employer shall continue such payments to the Employee's beneficiary designated in writing to the Employer prior to the Employee's death (or to the Employee's estate, if the Employee fails to make such designation).

8 . **Enforceability.** If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

9 . **Waiver.** No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

10 . **Notices.** Any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and delivered in person or sent by registered or certified mail, postage prepaid or sent by recognized over-night courier service, to the Employee at the last address for which the Employee has provided written notice to the Employer, or to the Employer at its main office, attention of the Human Resources and shall be deemed given when delivered personally, five (5) days after mailing by certified or registered mail, return receipt requested, or on the second business day after deposit with a recognized over-night courier service,

11 . **Publications.** Employee agrees not to submit any writing for publication or deliver any speech that contains any information relating to the business of the Employer, unless the Employee receives advance written clearance from an authorized representative of the Employer.

12. **Publicity.** The Employee hereby grants to the Employer the right to use the Employee's name and likeness, without additional consideration, on, in and in connection with technical, marketing and/or disclosure materials published by or for the Employer for the duration of Employee's employment with Employer and for a reasonable period of time following the Date of Termination.

1 3 . Conflicting Obligations and Rights. The Employee agrees to inform the Employer of any apparent conflicts between the Employee's work for the Employer and (a) any obligations the Employee may have to preserve the confidentiality of another's proprietary information or materials or (b) any rights the Employee claims to any inventions or ideas before using the same on the Employer's behalf. Otherwise, the Employer may conclude that no such conflict exists and the Employee agrees thereafter to make no such claim against the Employer. The Employer shall receive such disclosures in confidence and consistent with the objectives of avoiding any conflict of obligations and rights or the appearance of any conflict of interest.

1 4 . Notification of New Employer. In the event that the Employee leaves the employ of the Employer, voluntarily or involuntarily, the Employee agrees to inform any subsequent employer of the Employee's obligations under Section 6 of this Agreement. The Employee further hereby authorizes the Employer to notify the Employee's new employer about the Employee's obligations under Section 6 of this Agreement.

15. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes in all respects all prior agreements as well as all express or implied negotiations and agreements, between the parties concerning such subject matter.

16. Amendment. This Agreement may be amended or modified only by a written instrument signed by the Employee and by a duly authorized representative of the Employer other than Employee after approval by the Employer's Board of Directors or Compensation Committee of the Board, consistent with the Employer's corporate governance practices.

17. Governing Law. This is a California contract and shall be construed under and be governed in all respects by the laws of the State of California, without giving effect to the conflict of laws principles of such State.

18. Obligations of Successors. The Employer shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Employer to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Employer would be required to perform if no such succession had taken place.

19. Consent to Jurisdiction; Forum Selection. At all times the Employee and Employer: (a) irrevocably submit to the exclusive jurisdiction of the Los Angeles Superior Court and United States District Court for the Central District of California, whichever may have competent subject matter jurisdiction, in any action or proceeding arising out of or relating to this Agreement, and irrevocably agree that all claims in respect of any such action or proceeding may be heard and determined in such court; (b) to the extent permitted by law, irrevocably consent to the service of any and all process in any such action or proceeding by the mailing of copies of such process to such party at the address set forth in this Agreement (or otherwise on record with the Employer); (c) to the extent permitted by law, irrevocably confirm that service of process out of such courts in such manner shall be deemed due service upon such party for the purposes of such action or proceeding; (d) to the extent permitted by law, irrevocably waives (i) any objection the Employee or Employer may have to the laying of venue of any such action or proceeding in any of such courts, or (ii) any claim that the Employee or Employer may have that any such action or proceeding has been brought in an inconvenient forum; and (e) to the extent permitted by law, irrevocably agrees that a final non-appealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Section shall affect the right of any party hereto to serve legal process in any manner permitted by law.

20. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be taken to be an original; but such counterparts shall together constitute one and the same document.

IN WITNESS WHEREOF, this Agreement has been executed by the Employer by its duly authorized officer, and by the Employee, as of the date first above written.

EMPLOYER:

APOLO MEDICAL MANAGEMENT, INC.:

By: /s/ Warren Hosseinion

Printed Warren Hosseinion, M.D.

Name: _____

Its: CEO

EMPLOYEE:

Warren Hosseinion, M.D.

/s/ Warren Hosseinion

EXHIBIT A

Release of Claims

I, Warren Hosseinion, in consideration of and subject to the performance by **Apollo Medical Management, Inc.** (the "Company") of its obligations under the Employment Agreement, dated as of March 28, 2014 (as amended from time to time, the "Agreement"), do hereby release and forever discharge as of the date of my execution of this release (the "Release") the Company, its affiliated and related entities, its and their respective predecessors, successors and assigns, its and their respective employee benefit plans and fiduciaries of such plans, and the current and former officers, directors, shareholders, employees, attorneys, accountants and agents of each of the foregoing in their official and personal capacities (collectively, the "Released Parties") to the extent provided below.

1. I understand that any payments or benefits paid or granted to me under Section 5(b) of the Agreement represent, in part, consideration for signing this Release and are not salary, wages or benefits to which I was already entitled. Such payments and benefits will not be considered compensation for purposes of any employee benefit plan, program, policy or arrangement maintained or hereafter established by the Company or its affiliates.
2. Releases.

(a) I knowingly and voluntarily (on behalf of myself, my spouse, my heirs, executors, administrators, agents and assigns, past and present) fully and forever release and discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross claims, counterclaims, demands, debts, liens, contracts, covenants, suits, rights, obligations, expenses, judgments, compensatory damages, liquid damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, orders and liabilities of whatever kind of nature, in law and in equity, in contract or in tort, both past and present (through the date this General Release becomes effective and enforceable) and whether known or unknown, vested or contingent, suspected, or claimed, against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have, which arise out of or relate to my employment with, or my separation or termination from, the Company up to the date of my execution of this Release (including, but not limited to, any allegation, claim of violation arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act), the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local state or federal law, regulation or ordinance; or under any public policy, contract of tort, or under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of the Agreement, infliction of emotional distress or defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (collectively, the "Claims").

(b) **SECTION 1542 WAIVER.** Employee agrees that all rights he may have under Section 1542 of the California Civil Code are hereby waived. Section 1542 provides:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Notwithstanding the provisions of Section 1542, and for the purpose of implementing a full and complete release, Employee agrees that this Agreement is intended to include all claims, if any, that Employee may have against the Company, and that this Agreement extinguishes those claims.

3. I represent that I have made no assignment of transfer of any right, claim, demand, cause of action, or other matter covered by Section 2 above.
4. In signing this Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the claims, demands and causes of action herein above mentioned or implied. I expressly consent that this Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected claims up to the date of my execution of this Release, if any, as well as those relating to any other claims hereinabove mentioned. I acknowledge and agree that this waiver is an essential and material term of this Release and that without such waiver the Company would not have agreed to the terms of the Agreement. I further agree that in the event I should bring a claim seeking damages against the Company, this Release shall serve as a complete defense to such claims as to my rights and entitlements. I further agree that I am not aware of any pending charge or complaint of the type described in Section 2 as of the date of my execution of this Release.
5. I agree that neither this Release, nor the furnishing of the consideration for this Release, shall be deemed or construed at any time to be an admission or acknowledgement by the Company, any Released Party or myself of any improper or unlawful conduct.
6. I agree and acknowledge that the provisions, conditions, and negotiations of this Release are confidential and agree not to disclose any information regarding the terms, conditions and negotiations of this Release, nor transfer any copy of this Release to any person or entity, other than my immediate family and any tax, legal or other counsel or advisor I have consulted regarding the meaning or effect hereof or as required by applicable law, and I will instruct each of the foregoing not to disclose the same to anyone.
7. Notwithstanding anything in the Release to the contrary, nothing in this Release shall be deemed to affect, impair, relinquish, diminish, or in any way affect any rights or claims in any respect to (i) any vested rights or other entitlements that I may have as of the date of my execution of this Release under the Company's 401(k) plan; (ii) any other vested rights or other entitlements that I may have as of the date of my execution of this Release under any employee benefit plan or program, in which I participated in my capacity as an employee of the Company; (iii) my rights under the Agreement; or (iv) my rights under the Release.
8. I understand that I continue to be bound by Section 6 of the Agreement.
9. Whenever possible, each provision of this Release shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provisions of this Release are held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

10. This Release shall be governed by and construed in accordance with the laws of the State of California, without giving effect to the conflict of laws principles of the State of California.

BY SIGNING THIS RELEASE, I REPRESENT AND AGREE THAT:

- (i) I HAVE READ IT CAREFULLY;
- (ii) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED;
- (iii) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;
- (iv) THE COMPANY IS HEREBY ADVISING ME TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT, I HAVE HAD THE OPPORTUNITY TO SO CONSULT, AND HAVE AVAILED MYSELF OF SUCH ADVICE TO THE EXTENT I HAVE DEEMED NECESSARY TO MAKE A VOLUNTARY AND INFORMED CHOICE TO EXECUTE THIS RELEASE;
- (v) I HAVE HAD AT LEAST TWENTY ONE (21) DAYS [45 DAYS IN CONNECTION WITH A GROUP TERMINATION OR EXIT INCENTIVE PLAN] FOLLOWING THE DATE OF TERMINATION OF MY EMPLOYMENT TO CONSIDER THIS RELEASE;
- (vi) CHANGES TO THIS RELEASE, WHETHER MATERIAL OR IMMATERIAL, DO NOT RESTART THE RUNNING OF THE 21-DAY [OR 45 DAY] CONSIDERATION PERIOD;
- (vii) I UNDERSTAND THAT I HAVE SEVEN (7) DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT, SUCH REVOCATION TO BE RECEIVED IN WRITING BY THE COMPANY BY THE END OF THE SEVENTH DAY AFTER THE DATE HEREOF, AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;
- (viii) I HAVE SIGNED THIS RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND
- (ix) I AGREE THAT THE PROVISIONS OF THIS RELEASE MAY NOT BE AMENDED, WAIVED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

DATED AS OF _____

Warren Hosseini, M.D.

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the “Agreement”) is made and entered into as of June 29, 2016, by and between Apollo Medical Management, Inc., a Delaware corporation (the “Employer”), and Adrian Vazquez, M.D. (the “Employee”). Together, the Employer and Employee are collectively sometimes referred to herein as the Parties.

RECITALS:

WHEREAS, the Parties entered into an Employment Agreement dated March 28, 2014, as amended by the First Amendment to Employment Agreement dated as of January 12, 2016 (collectively, the “Prior Agreement”), pursuant to which Employee provides senior management services to Employer; and

WHEREAS, Employee and ApolloMed Hospitalists, a Professional Corporation, a California professional corporation (“Hospitalists”), and an Affiliate of the Employer, are parties to a Hospitalist Participation Service Agreement dated March 28, 2014 (the “Hospitalists Agreement”), pursuant to which Employee from time to time provides inpatient medical services for Hospitalists; and

WHEREAS, the Parties desire to amend the Employment Agreement and the Hospitalists Agreement to reflect the nature and extent of the services provided by Employee to Employer and Hospitalists, respectively, and to provide for the appropriate compensation therefor;

NOW, THEREFORE, in consideration of the foregoing Recitals, which are incorporated herein by this reference, the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties amend and restate the Prior Agreement to read in full as follows:

1. Employment. The original term of this Agreement commenced as of April 1, 2014 (the “Commencement Date”) and continued thereafter for a period of one year. The term of this Agreement shall automatically extended for subsequent one year terms renewing on each respective anniversary of the Commencement Date (the date of each such renewal shall be the “Renewal Date”), unless, not less than 60 days prior to each such Renewal Date, either party shall have given notice to the other that the Agreement will not be renewed. Each term of this Agreement, beginning with the Commencement Date or any subsequent Renewal Date, shall be subject to termination as provided in Section 4 and may be referred to herein as the “Term.”

2. Positions and Duties. During the Term, the Employee shall serve as a senior executive of the Employer. The Employee shall devote such working time and efforts as may be necessary to the business and affairs of the Employer.

3. Compensation and Related Matters.

(a) Base Salary. The Employer shall pay the Employee for all services rendered a base salary of \$450,000 per year (the “Base Salary”), payable every 15th and 30th day of the month (or the closest day thereto if such day is a weekend or holiday, subject to customary withholdings and employment taxes. The Base Salary may be re-evaluated annually at the sole discretion of the Employer and may be increased at the sole discretion of the Employer.

(b) Incentive Compensation. The Employee shall be entitled to participate in any Employer incentive compensation plans as are now available or may become available to other similarly positioned employees of the Employer. The Employee's entitlement to a bonus under any such plan is governed by the terms of that plan.

(c) Equity Awards. The Employee shall be eligible to participate in any stock plan available to similarly positioned executives (collectively, the "Stock Plan"). From time to time, the Company's Board may, in its sole discretion, grant stock options or other equity compensation to the Employee pursuant to the Stock Plan.

(d) Paid Time Off. During the term, the Employee shall be entitled to 20 days of paid time off ("PTO") per calendar year which shall be accrued ratably during the calendar year, to be taken at such times and intervals as shall be agreed to by the Employer and the Employee in their reasonable discretion. Employee shall be entitled to accrue a maximum of 20 days of paid time off. Accrued and unused PTO up to the entitled 20 days which the Employee has failed to take during the calendar year shall be paid as ordinary income at the end of the calendar year.

(e) Expenses. The Employee shall be entitled to reimbursement of expenses incurred on behalf of Employer. Employer agrees to maintain an insurance policy providing reasonable and customary insurance coverage for errors and omissions of its directors and officers made in the course and scope of employment with Employer at no cost to Employee.

(f) Other Benefits. During the Term, the Employee shall be entitled to continue to participate in or receive benefits under any employee benefit plan or arrangement which is or may, in the future, be made available by the Employer to its employees, subject to and on a basis consistent with the terms, conditions and overall administration of such plan or arrangement. These benefits will include, but are not limited to (i) health insurance for Employee and all his dependents at no additional cost to Employee, and (ii) the payment of insurance premiums for short-term and long-term disability insurance providing for no less than 100% of Employee's base salary compensation to be payable to the employee as long as the disability persists that substantially prevents employment in the same occupation as the position Employee last held with Employer but not beyond age 70.

(g) Tax Withholding. The Employer shall undertake to make deductions, withholdings and tax reports with respect to payments and benefits under this Agreement, to the extent it reasonably and in good faith believes it is required to make such deductions, withholdings and tax reports. Payments under this Agreement shall be in amounts net of any such deductions or withholdings. Nothing in this Agreement shall be construed to require the Employer to make any payments to compensate the Employee for any adverse tax effect associated with any payments or benefits, or for any deduction or withholding from any payment or benefit.

(h) Term Life Insurance. The Employer shall secure during the Term of this Agreement a policy of term life insurance on behalf of Employee with an insurance company admitted and licensed in the State of California with minimum coverage of one million dollars (\$1,000,000). The Employer shall supply evidence of insurance coverage upon the Employee's demand at any time. Should the Employee elect to obtain such coverage through an insurance carrier of his choosing, the Employer shall remit the costs of the premiums for up to the minimum coverage required hereunder on a monthly basis to the Employee as invoiced by the Employee.

4. Termination. The Employee's employment hereunder may be terminated without any breach of this Agreement under the following circumstances:

(a) Death. The Employee's employment hereunder shall terminate upon the Employee's death.

(b) Termination by the Employer for Cause. At any time during the Term, the Employer may terminate the Employee's employment hereunder for Cause. For purposes of this Agreement, "Cause" shall mean: (i) conduct by the Employee constituting a material act of willful misconduct in connection with the performance of the Employee's duties, including, without limitation, misappropriation of funds or property of the Employer or any of its subsidiaries or Affiliates other than the occasional, customary and de minimis use of the Employer's property for personal purposes; (ii) the commission by the Employee of any felony or a misdemeanor involving moral turpitude, deceit, dishonesty or fraud, or any conduct by the Employee that would reasonably be expected to result in material injury to the Employer or any of its subsidiaries or Affiliates if the Employee were retained in the Employee's position; (iii) continued, willful and deliberate non-performance by the Employee of the Employee's duties hereunder (other than by reason of the Employee's physical or mental illness, incapacity or disability); (iv) a material breach by the Employee of this Agreement; (v) a violation by the Employee of the Employer's employment policies which has continued following written notice of such violation (vi) failure to obtain or maintain in good order a license to practice medicine in the State of California or any other licenses required for the Employee to perform the Employee's duties under this Agreement; (vii) willful failure to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the Employer to cooperate, or the willful destruction or failure to preserve documents or other materials known to be relevant to such investigation or the willful inducement of others to fail to cooperate or to produce documents or other materials in connection with such investigations; or (viii) a material and, to the extent cure is permitted under the applicable agreement, uncured breach by Employee under any one of the following (as each such agreement may be amended or replaced from time to time):

(A) the Hospitalist Participation Service Agreement dated of even date herewith or other services agreement with Hospitalists, as the same may be amended from time to time; and

(B) that certain Shareholder Agreement dated as of March 28, 2014, between Employee, Apollo Medical Holdings, Inc., a Delaware corporation, Warren Hosseini, M.D., Adrian Vazquez, M.D. and NNA of Nevada, Inc., a Nevada corporation.

(d) Termination Without Cause. At any time during the Term, the Employer may terminate the Employee's employment hereunder without Cause. Any termination by the Employer of the Employee's employment under this Agreement which does not constitute a termination for Cause under Section 4(c) and does not result from the death or disability of the Employee under Sections 4(a) or (b) shall be deemed a termination without Cause.

(e) Termination by the Employee. At any time during the Term, the Employee may terminate his employment hereunder for any reason, including but not limited to Good Reason. For purposes of this Agreement, "Good Reason" shall mean that the Employee has complied with the "Good Reason Process" (hereinafter defined) following the occurrence of any of the following events: (i) a material diminution in the Employee's responsibilities, authority or duties; or (ii) the material breach of this Agreement by the Employer. "Good Reason Process" shall mean (i) the Employee reasonably determines in good faith that a "Good Reason" condition has occurred; (ii) the Employee notifies the Employer in writing of the occurrence of the Good Reason condition within 60 days of the occurrence of such condition; (iii) the Employee cooperates in good faith with the Employer's efforts, for a period of 60 days following such notice (the "Cure Period"), to remedy the condition; (iv) notwithstanding such efforts, the Good Reason condition continues to exist; and (v) the Employee terminates his employment within 60 days after the end of the Cure Period. If the Employer cures the Good Reason condition during the Cure Period, Good Reason shall be deemed not to have occurred.

(f) Notice of Termination. Except for termination as specified in Section 4(a), any termination of the Employee's employment shall be communicated by written Notice of Termination by the terminating party to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon.

(g) Date of Termination. "Date of Termination" shall mean the earliest of the following: (i) if the Employee's employment is terminated by the Employee for death, the date of the Employee's death; (ii) if the Employee's employment is terminated on account of disability under Section 4(b) or by the Employer for Cause under Section 4(c), the date on which Notice of Termination is given; (iii) if the Employee's employment is terminated by the Employer under Section 4(d), 30 days after the date on which a Notice of Termination is given; (iv) if the Employee's employment is terminated by the Employee under Section 4(e) without Good Reason, 30 days after the date of which a Notice of Termination is given; (v) if the Employee's employment is terminated by the Employee under Section 4(e) with Good Reason, the date on which Notice of Termination is given after the end of the Cure Period; or (vi) the first anniversary of the Commencement Date that is not also a Renewal Date. Notwithstanding the foregoing, in the event that the Employee gives a Notice of Termination to the Employer, the Employer may unilaterally accelerate the Date of Termination but such acceleration shall nevertheless be deemed a termination by the Employee on the accelerated date for purposes of this Agreement.

5. Compensation Upon Termination.

(a) Termination or Nonrenewal Generally. If the Employee's employment with the Employer is terminated for any reason during the Term, or if the Term is not renewed, the Employer shall pay or provide the Employee (or the Employee's authorized representative or estate) any earned but unpaid Base Salary for services rendered through the Date of Termination, unpaid expense reimbursements, and accrued but unused paid time off (the "Accrued Benefits") within the time prescribed by California law. With respect to vested benefits the Employee may have under any employee benefit plan of the Employer, payment will be made to the Employee under the terms of the applicable plan.

(b) Termination by the Employer Without Cause or by the Employee With Good Reason. If the Employee's employment is terminated by the Employer without Cause as provided in Section 4(d), or the Employee terminates his employment for Good Reason as provided in Section 4(e), or the Employer provides notice of intent not to renew pursuant to Section 1, then the Employer shall, through the Date of Termination, pay the Employee his or her Accrued Benefits, and any of the Employee's vested benefits under any employee benefit plan of the Employer shall be paid to the Employee under the terms of the applicable plan. If the Employee signs a general release of claims in a form and manner satisfactory to the Employer (an example of which is attached as Exhibit A to this Agreement) (the "Release") within 21 days of the receipt of the form of the Release (extended to 45 days in the event of a group termination or exit incentive program) and does not revoke such Release during the seven-day revocation period:

(i) the Employer shall pay the Employee an amount equal to four weeks of Employee's most recent Base Salary for every full year of Employee's Service Credit, but such amount shall be no less than six months' worth and no more than one year's worth of the Employee's most recent Base Salary (the "Severance Amount"). For purposes of this Agreement, (A) "Base Salary" shall mean the aggregate base salary paid to the Employee by the Employer and all its Affiliates; and (B) "Service Credit" shall mean the longest number of years of active employment by the Employee for the Employer or any of its Affiliates. To the extent that such Severance Amount exceeds the 409A Separation Pay Limit (as defined below), such amount shall be paid in a single lump sum on the regular payroll date of the Employer, pertaining to then current salaried employees of the Employer, ("payroll date") next following the first anniversary date of the Employee's Date of Termination or first permissible date afterward. The portion of the Severance Amount that does not exceed the 409A Separation Pay Limit shall be paid in substantially equal amounts on each payroll date in accordance with the Employer's normal payroll practices over consecutive periods of three months for each year of Base Salary that is due as the Severance Amount, beginning on the first payroll date after the Date of Termination or expiration of the seven-day revocation period of the Release, if later, provided, however, that all such payments shall be concluded prior to the last day of the second (2d) taxable year of the Employee following the taxable year of the Employee in which the Employee has a separation from service as defined in Section 409A; and

(ii) the Employer shall pay the Employee an amount equal to the Employer's premium amounts paid for coverage of Employee at the time of the Employee's termination of coverage under the Employer's group medical, dental and vision programs for a period of twelve (12) months, to be paid directly to the Employee at the same times such payments would be paid on behalf of a current employee for such coverage; provided, however:

(A) No payments shall be made under this paragraph (ii) unless the Employee timely elects continued coverage under such plan(s) pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 as amended ("COBRA");

(B) This paragraph (iii) shall not be read or construed as placing any restrictions upon amounts paid under this paragraph (ii) as to their use;

(C) Payments under this paragraph (iii) shall cease as of the earliest to occur of the following:

(1) the Employee is no longer eligible for and continuing to receive the COBRA coverage elected in subparagraph (A);

(2) the time period set forth in the first sentence of this paragraph (iii),

(3) the date on which the Employee first becomes eligible to enroll in a group health plan in which eligibility is based on employment with an employer, and

(4) if the Employer in good faith determines that payments under this paragraph (iii) would result in a discriminatory health plan pursuant to the Patient Protection and Affordable Care Act of 2010, as amended.

(iii) Each individual payment of Severance Amount under Section 5.b.(ii), and each payment under Section 5.b.(iii), of this Agreement, shall be deemed to be a separate "payment" for purposes and within the meaning of Treasury Regulation Section 1.409A-2(b)(2)(iii).

(iv) Each individual payment of the Severance Amount under Section 5.b.(ii), and each payment under Section 5.b.(iii), of this Agreement, which are considered "non-qualified deferred compensation" ("NQDC") under Section 409A shall be made on the date(s) provided herein and no request to accelerate or defer any such payment under this Agreement shall be considered or approved for any reason whatsoever, except as permitted under Section 409A and as the Employer allows in its sole discretion. The Employer may in its sole discretion accelerate or defer (but not beyond the time limit set forth below) any severance payments which do not constitute NQDC in order to allow for the payment of taxes due, but not beyond the time limit specified for such payment such that the payment would be treated as NQDC. Subject to the requirements of Section 409A, if any payment of severance payment under Section 5.b.(ii), or reimbursement under Section 5.b.(iii), of this Agreement is determined in good faith by the Employer to constitute NQDC payable to a "specified employee" as defined under Section 409A, then the Employer shall make any such payment not earlier than the earlier of: (x) the date which is six (6) months following the Employee's separation from service with the Employer, or (y) the date of Employee's death.

(v) for purposes of this Section 5, "Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

(vi) for purposes of this Section 5, "409A Separation Pay Limit" means two times the lesser of (x) the Employee's Base Salary plus bonus earned from services provided to the Employer during the calendar year preceding the year of the termination of employment; and (y) the adjusted compensation limit under Code section 401(a)(17) in effect for the year of the termination.

Notwithstanding the foregoing, if the Employee breaches this Agreement, including, without limitation, Section 6 of this Agreement, all payments of the Severance Amount and the Employer's payment for medical, dental, and vision insurance continuation shall immediately cease.

6. Confidential Information, Non-Solicitation, and Cooperation.

(a) Definitions.

(i) As used in this Agreement, "Affiliate" means, as to any Person, (i) any other Person which directly, or indirectly through one or more intermediaries, controls such Person or is consolidated with such Person in accordance with generally accepted accounting principles in the United States (U.S. GAAP); (ii) any other Person which directly, or indirectly through one or more intermediaries, is controlled by or is under common control with such Person; or (iii) any other Person of which such Person owns, directly or indirectly, ten percent (10%) or more of the common stock or equivalent equity interests. As used herein, the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities or otherwise.

(ii) As used in this Agreement, "Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization.

(b) Confidential Information. As used in this Agreement, "Confidential Information" means information belonging to the Employer or its Affiliates which is of value to the Employer or any of its Affiliates in the course of conducting its business (whether having existed, now existing, or to be developed or created during Employee's employment by Employer) and the disclosure of which could result in a competitive or other disadvantage to the Employer or its Affiliates. Confidential Information includes, without limitation, contract terms and rates; negotiating and contracting strategies; facility participation status; financial information, reports, and forecasts; inventions, improvements and other intellectual property; product plans or proposed product plans; trade secrets; know how; designs, processes or formulae; software; market or sales information, plans or strategies; employee, customer, patient, provider and supplier information; information from patient medical records; financial data; insurance reimbursement methodologies, strategies, and practices; product and service pricing methodologies, strategies and practices; contracts with physicians, providers, provider networks, payors, physician databases and contracts with hospitals; regulatory and clinical manuals; and business plans, prospects and opportunities (such as possible acquisitions or dispositions of businesses or facilities) that have been discussed or considered by the Employer or its Affiliates, including without limitation the management of the Employer or its Affiliates. Confidential Information includes information developed by the Employee in the course of the Employee's employment by the Employer, as well as other information to which the Employee may have access in connection with the Employee's employment. Confidential Information also includes the confidential information of others with which the Employer or its Affiliates has a business relationship. Notwithstanding the foregoing, Confidential Information does not include information in the public domain, unless due to breach of the Employee's duties under Section 6(b), unless otherwise due to Employee's breach of the obligations in this Agreement, or unless due to violation of another person's obligations to the Employer or its Affiliates that Employee should have taken reasonable measures to prevent but that Employee did not take.

(c) Confidentiality. The Employee understands and agrees that the Employee's employment creates a relationship of confidence and trust between the Employer and the Employee with respect to all Confidential Information. At all times, both during the Employee's employment with the Employer and after the Employee's termination from employment for any reason, the Employee shall keep in confidence and trust all such Confidential Information, and shall not use, disclose, or transfer any such Confidential Information without the written consent of the Employer, except as may be necessary within the scope of Employee's duties with Employer and in the ordinary course of performing the Employee's duties to the Employer. Employee understands and agrees not to sell, license or otherwise exploit any products or services which embody or otherwise exploit in whole or in part any Confidential Information or materials. Employee acknowledges and agrees that the sale, misappropriation, or unauthorized use or disclosure in writing, orally or by electronic means, at any time of Confidential Information obtained by Employee during or in connection with the course of Employee's employment constitutes unfair competition. Employee agrees and promises not to engage in unfair competition with Employer or its Affiliates, either during employment or at any time thereafter.

(d) Documents, Records, etc. All documents, records, data, apparatus, equipment and other physical property, whether or not pertaining to Confidential Information, that are furnished to the Employee by the Employer or its Affiliates or are produced by the Employee in connection with the Employee's employment will be and remain the sole property of the Employer and its Affiliates. The Employee shall return to the Employer all such materials and property as and when requested by the Employer. In any event, the Employee shall return all such materials and property immediately upon termination of the Employee's employment for any reason. The Employee shall not retain any such material or property or any copies thereof after such termination. It is specifically agreed that any documents, card files, notebooks, programs, or similar items containing customer or patient information are the property of the Employer and its Affiliates regardless of by whom they were compiled.

(e) Disclosure Prevention. The Employee will take all reasonable precautions to prevent the inadvertent or accidental exposure of Confidential Information.

(f) Removal of Material. The Employee will not remove any Confidential Information from the Employer's or its Affiliate's premises except for use in the Employer's business, and only consistent with the Employee's duties with the Employer.

(g) Copying. The Employee agrees that copying or transfer of Confidential Information (by any means) shall be done only as needed in furtherance of and for use in the Employer's and its Affiliate's business, and consistent with the Employee's duties with the Employer. The Employee further agrees that copies of Confidential Information shall be treated with the same degree of confidentiality as the original information and shall be subject to all restrictions herein.

(h) No "Moonlighting". During the Employee's employment with the Employer, the Employee agrees not to accept or continue in any job, consulting work, directorship, or employment that may conflict with Employee's duties and responsibilities to Employer, including the duty of loyalty, without the written approval of senior management of the Employer. Without limitation, Employee's provision of physician services to Hospitalists pursuant to the Hospitalists Agreement, as amended from time to time, or other service agreement, and all work done on behalf of any other affiliate of Employer, shall not be deemed a violation of this provision.

(i) Computer Security. During the Employee's employment with the Employer, the Employee agrees only to use Employer's and its Affiliate's computer resources (both on and off the Employer's premises) for which the Employee has been authorized and granted access. The Employee agrees to comply with the Employer's policies and procedures concerning computer security.

(j) E-Mail. The Employee acknowledges that the Employer retains the right to review any and all electronic mail communications made with employer provided email accounts, hardware, software, or networks, with or without notice, at any time.

(k) Assignment. The Employee acknowledges that any and all inventions, discoveries, designs, developments, methods, modifications, improvements, trade secrets, processes, software, formulae, data, "know-how," databases, algorithms, techniques and works of authorship whether or not patentable or protectable by copyright or trade secret, made or conceived, first reduced to practice, or learned by the Employee, either alone or jointly with others, during the Term that (i) relate to or are useful in the business of the Employer or its Affiliates, or (ii) are conceived, made or worked on at the expense of or during the Employee's work time for the Employer, or using any resources or materials of the Employer or its Affiliates, or (iii) arise out of tasks assigned to the Employee by the Employer (together "Proprietary Inventions") will be the sole property of the Employer or its Affiliates. The Employee acknowledges that all work performed by the Employee is on a "work for hire" basis and the Employee hereby assigns or agrees to assign to the Employer the Employee's entire right, title and interest in and to any and all Proprietary Inventions and related intellectual property rights. The Employee agrees to assist the Employer to obtain, maintain and enforce intellectual property rights for Proprietary Inventions in any and all countries during the Term, and thereafter for as long as such intellectual property rights exist.

NOTICE TO CALIFORNIA EMPLOYEES

Pursuant to California Labor Code § 2872, an agreement requiring the employee to assign or offer to assign any of his or her rights in any invention to his or her employer does not apply to an invention which qualifies fully under the provisions of California Labor Code § 2870, which provides as follows:

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of the State of California and is unenforceable.

(1) Non-Solicitation. Employee agrees and covenants that, at any time during the Employee's employment with the Employer and for a period of twelve (12) months immediately following the termination of Employee's relationship with the Employer for any reason, whether with or without cause, the Employee shall not, either on the Employee's own behalf or on behalf of any other person: (i) solicit the services of or entice away, directly or indirectly, any person employed or engaged by or otherwise providing services to the Employer or its Affiliates (this provision does not prohibit the Employee's post-termination acceptance of unsolicited applications for employment); or (ii) take any illegal action or engage in any unfair business practice, including without limitation any misappropriation of confidential, proprietary, or trade secret information of the Employer or its Affiliates, as a result of which relations between the Employer or its Affiliates, and any of their customers, clients, suppliers, distributors or others, may be impaired or which might otherwise be detrimental to the business interests or reputation of the Employer or its Affiliates.

(m) Third-Party Agreements and Rights. The Employee hereby confirms that the Employee is not bound by the terms of any agreement with any previous employer or other party which restricts in any way the Employee's use or disclosure of information or the Employee's engagement in any business except as Employee has previously provided written notice to Employer and has attached to this Agreement. The Employee represents to the Employer that the Employee's execution of this Agreement, the Employee's employment with the Employer and the performance of the Employee's proposed duties for the Employer will not violate any obligations the Employee may have to any previous employer or other party. In the Employee's work for the Employer, the Employee will not disclose or use any information in violation of any agreements with or rights of any such previous employer or other party, and the Employee will not bring to (by any means) the premises of the Employer any copies or other tangible embodiments of non-public information belonging to or obtained from any such previous employment or other party.

(n) Litigation and Regulatory Cooperation. During and after the Employee's employment, the Employee shall cooperate fully with the Employer in the defense or prosecution of any claims or actions now in existence or that may be brought in the future against or on behalf of the Employer that relate to events or occurrences that transpired while the Employee was employed by the Employer. The Employee's full cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Employer at mutually convenient times. During and after the Employee's employment, the Employee also shall cooperate fully with the Employer in connection with any investigation or review of any federal, state, or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while the Employee was employed by the Employer. The Employer shall reimburse the Employee for any reasonable out of pocket expenses incurred in connection with the Employee's performance of obligations pursuant to this Section. "Full cooperation" shall not be construed to in any way require any violation of law or any testimony that is false or misleading.

(o) Enforcement; Injunction. The Employee acknowledges and agrees that the restrictions contained in this Agreement are reasonable and necessary to protect the business and interests of the Employer and its Affiliates, do not create any undue hardship for the Employee, and that any violation of the restrictions in this Agreement would cause the Employer and its Affiliates substantial irreparable injury. Accordingly, the Employee agrees that a remedy at law for any breach or threatened breach of the covenants or other obligations in Section 6 this Agreement would be inadequate and that the Employer, in addition to any other remedies available, shall be entitled to obtain preliminary and permanent injunctive relief to secure specific performance of such covenants and to prevent a breach or contemplated or threatened breach of this Agreement without the necessity of proving actual damage and without the necessity of posting bond or security, which the Employee expressly waives. Moreover, the Employee will provide the Employer a full accounting of all proceeds and profits received by the Employee as a result of or in connection with a breach of Section 6 this Agreement. Unless prohibited by law, the Employer shall have the right to retain any amounts otherwise payable by the Employer to the Employee to satisfy any of the Employee's obligations as a result of any breach of Section 6 of this Agreement. The Employee hereby agrees to indemnify and hold harmless the Employer and its Affiliates from and against any damages incurred by the Employer or its Affiliates as assessed by a court of competent jurisdiction as a result of any breach of Section 6 of this Agreement by the Employee. The prevailing party shall be entitled to recover its reasonably attorneys' fees and costs if it prevails in any action to enforce Section 6 of this Agreement. It is the express intention of the parties that the obligations of Section 6 the Agreement shall survive the termination of the Employee's employment. The Employee agrees that each obligation specified in Section 6 of this Agreement is a separate and independent covenant that shall survive any termination of this Agreement and that the unenforceability of any of them shall not preclude the enforcement of any other covenants in Section 6 of this Agreement. No change in the Employee's duties or compensation shall be construed to affect, alter or otherwise release the Employee from the covenants herein.

(p) Permitted Disclosures of Confidential Information. Nothing in this Agreement is intended to or does prevent the Employee from disclosing Confidential Information (i) to the extent such disclosure is required in response to a valid subpoena or other legal process, provided that before making such disclosure, the Employee furnishes the Employer with advance notice of such subpoena or other legal process to allow the Employer sufficient time to obtain, in the Employer's discretion, an appropriate protective order or otherwise oppose or limit such disclosure, or (ii) to the extent such disclosure is made pursuant to Section 7(b) of the Defend Trade Secrets Act of 2016, which provides:

"(b) IMMUNITY FROM LIABILITY FOR CONFIDENTIAL DISCLOSURE OF A TRADE SECRET TO THE GOVERNMENT OR IN A COURT FILING .—

(1) IMMUNITY.—An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—

(A) is made—

(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and

(ii) solely for the purpose of reporting or investigating a suspected violation of law; or

(B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(2) USE OF TRADE SECRET INFORMATION IN ANTI-RETALIATION LAWSUIT.—An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual—

(A) files any document containing the trade secret under seal; and

(B) does not disclose the trade secret, except pursuant to court order".

7 . Successors. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and permitted assigns, including any corporation or entity with which or into which the Employer may be merged or which may succeed to its assets or business, provided, however, that Employee's obligations are personal and shall not be assigned by Employee. The Employee consents to any assignment by the Employer of this Agreement. In the event of the Employee's death after the Date of Termination but prior to the completion by the Employer of all payments due to the Employee under this Agreement, the Employer shall continue such payments to the Employee's beneficiary designated in writing to the Employer prior to the Employee's death (or to the Employee's estate, if the Employee fails to make such designation).

8 . Enforceability. If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

9 . Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

10 . Notices. Any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and delivered in person or sent by registered or certified mail, postage prepaid or sent by recognized over-night courier service, to the Employee at the last address for which the Employee has provided written notice to the Employer, or to the Employer at its main office, attention of the Human Resources and shall be deemed given when delivered personally, five (5) days after mailing by certified or registered mail, return receipt requested, or on the second business day after deposit with a recognized over-night courier service,

11 . Publications. Employee agrees not to submit any writing for publication or deliver any speech that contains any information relating to the business of the Employer, unless the Employee receives advance written clearance from an authorized representative of the Employer.

12 . Publicity. The Employee hereby grants to the Employer the right to use the Employee's name and likeness, without additional consideration, on, in and in connection with technical, marketing and/or disclosure materials published by or for the Employer for the duration of Employee's employment with Employer and for a reasonable period of time following the Date of Termination.

1 3 . Conflicting Obligations and Rights. The Employee agrees to inform the Employer of any apparent conflicts between the Employee's work for the Employer and (a) any obligations the Employee may have to preserve the confidentiality of another's proprietary information or materials or (b) any rights the Employee claims to any inventions or ideas before using the same on the Employer's behalf. Otherwise, the Employer may conclude that no such conflict exists and the Employee agrees thereafter to make no such claim against the Employer. The Employer shall receive such disclosures in confidence and consistent with the objectives of avoiding any conflict of obligations and rights or the appearance of any conflict of interest.

1 4 . Notification of New Employer. In the event that the Employee leaves the employ of the Employer, voluntarily or involuntarily, the Employee agrees to inform any subsequent employer of the Employee's obligations under Section 6 of this Agreement. The Employee further hereby authorizes the Employer to notify the Employee's new employer about the Employee's obligations under Section 6 of this Agreement.

15. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes in all respects all prior agreements as well as all express or implied negotiations and agreements, between the parties concerning such subject matter.

16. Amendment. This Agreement may be amended or modified only by a written instrument signed by the Employee and by a duly authorized representative of the Employer other than Employee after approval by the Employer's Board of Directors or Compensation Committee of the Board, consistent with the Employer's corporate governance practices.

17. Governing Law. This is a California contract and shall be construed under and be governed in all respects by the laws of the State of California, without giving effect to the conflict of laws principles of such State.

18. Obligations of Successors. The Employer shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Employer to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Employer would be required to perform if no such succession had taken place.

19. Consent to Jurisdiction; Forum Selection. At all times the Employee and Employer: (a) irrevocably submit to the exclusive jurisdiction of the Los Angeles Superior Court and United States District Court for the Central District of California, whichever may have competent subject matter jurisdiction, in any action or proceeding arising out of or relating to this Agreement, and irrevocably agree that all claims in respect of any such action or proceeding may be heard and determined in such court; (b) to the extent permitted by law, irrevocably consent to the service of any and all process in any such action or proceeding by the mailing of copies of such process to such party at the address set forth in this Agreement (or otherwise on record with the Employer); (c) to the extent permitted by law, irrevocably confirm that service of process out of such courts in such manner shall be deemed due service upon such party for the purposes of such action or proceeding; (d) to the extent permitted by law, irrevocably waives (i) any objection the Employee or Employer may have to the laying of venue of any such action or proceeding in any of such courts, or (ii) any claim that the Employee or Employer may have that any such action or proceeding has been brought in an inconvenient forum; and (e) to the extent permitted by law, irrevocably agrees that a final non-appealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Section shall affect the right of any party hereto to serve legal process in any manner permitted by law.

20. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be taken to be an original; but such counterparts shall together constitute one and the same document.

IN WITNESS WHEREOF, this Agreement has been executed by the Employer by its duly authorized officer, and by the Employee, as of the date first above written.

EMPLOYER:

APOLLO MEDICAL MANAGEMENT, INC.:

By: /s/ Warren Hosseinion

Printed Warren Hosseinion, M.D.

Name: _____

Its: CEO

EMPLOYEE:

/s/ Adrian Vazquez

Adrian Vazquez, M.D.

EXHIBIT A

Release of Claims

I, Adrian Vazquez, in consideration of and subject to the performance by **Apollo Medical Management, Inc.** (the "Company") of its obligations under the Employment Agreement, dated as of March 28, 2014 (as amended from time to time, the "Agreement"), do hereby release and forever discharge as of the date of my execution of this release (the "Release") the Company, its affiliated and related entities, its and their respective predecessors, successors and assigns, its and their respective employee benefit plans and fiduciaries of such plans, and the current and former officers, directors, shareholders, employees, attorneys, accountants and agents of each of the foregoing in their official and personal capacities (collectively, the "Released Parties") to the extent provided below.

1. I understand that any payments or benefits paid or granted to me under Section 5(b) of the Agreement represent, in part, consideration for signing this Release and are not salary, wages or benefits to which I was already entitled. Such payments and benefits will not be considered compensation for purposes of any employee benefit plan, program, policy or arrangement maintained or hereafter established by the Company or its affiliates.
2. Releases.

(a) I knowingly and voluntarily (on behalf of myself, my spouse, my heirs, executors, administrators, agents and assigns, past and present) fully and forever release and discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross claims, counterclaims, demands, debts, liens, contracts, covenants, suits, rights, obligations, expenses, judgments, compensatory damages, liquid damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, orders and liabilities of whatever kind of nature, in law and in equity, in contract or in tort, both past and present (through the date this General Release becomes effective and enforceable) and whether known or unknown, vested or contingent, suspected, or claimed, against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have, which arise out of or relate to my employment with, or my separation or termination from, the Company up to the date of my execution of this Release (including, but not limited to, any allegation, claim of violation arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act), the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local state or federal law, regulation or ordinance; or under any public policy, contract of tort, or under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of the Agreement, infliction of emotional distress or defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (collectively, the "Claims").

(b) **SECTION 1542 WAIVER.** Employee agrees that all rights he may have under Section 1542 of the California Civil Code are hereby waived. Section 1542 provides:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Notwithstanding the provisions of Section 1542, and for the purpose of implementing a full and complete release, Employee agrees that this Agreement is intended to include all claims, if any, that Employee may have against the Company, and that this Agreement extinguishes those claims.

3. I represent that I have made no assignment of transfer of any right, claim, demand, cause of action, or other matter covered by Section 2 above.
4. In signing this Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the claims, demands and causes of action herein above mentioned or implied. I expressly consent that this Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected claims up to the date of my execution of this Release, if any, as well as those relating to any other claims hereinabove mentioned. I acknowledge and agree that this waiver is an essential and material term of this Release and that without such waiver the Company would not have agreed to the terms of the Agreement. I further agree that in the event I should bring a claim seeking damages against the Company, this Release shall serve as a complete defense to such claims as to my rights and entitlements. I further agree that I am not aware of any pending charge or complaint of the type described in Section 2 as of the date of my execution of this Release.
5. I agree that neither this Release, nor the furnishing of the consideration for this Release, shall be deemed or construed at any time to be an admission or acknowledgement by the Company, any Released Party or myself of any improper or unlawful conduct.
6. I agree and acknowledge that the provisions, conditions, and negotiations of this Release are confidential and agree not to disclose any information regarding the terms, conditions and negotiations of this Release, nor transfer any copy of this Release to any person or entity, other than my immediate family and any tax, legal or other counsel or advisor I have consulted regarding the meaning or effect hereof or as required by applicable law, and I will instruct each of the foregoing not to disclose the same to anyone.
7. Notwithstanding anything in the Release to the contrary, nothing in this Release shall be deemed to affect, impair, relinquish, diminish, or in any way affect any rights or claims in any respect to (i) any vested rights or other entitlements that I may have as of the date of my execution of this Release under the Company's 401(k) plan; (ii) any other vested rights or other entitlements that I may have as of the date of my execution of this Release under any employee benefit plan or program, in which I participated in my capacity as an employee of the Company; (iii) my rights under the Agreement; or (iv) my rights under the Release.
8. I understand that I continue to be bound by Section 6 of the Agreement.
9. Whenever possible, each provision of this Release shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provisions of this Release are held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

10. This Release shall be governed by and construed in accordance with the laws of the State of California, without giving effect to the conflict of laws principles of the State of California.

BY SIGNING THIS RELEASE, I REPRESENT AND AGREE THAT:

- (i) I HAVE READ IT CAREFULLY;
- (ii) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED;
- (iii) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;
- (iv) THE COMPANY IS HEREBY ADVISING ME TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT, I HAVE HAD THE OPPORTUNITY TO SO CONSULT, AND HAVE AVAILED MYSELF OF SUCH ADVICE TO THE EXTENT I HAVE DEEMED NECESSARY TO MAKE A VOLUNTARY AND INFORMED CHOICE TO EXECUTE THIS RELEASE;
- (v) I HAVE HAD AT LEAST TWENTY ONE (21) DAYS [45 DAYS IN CONNECTION WITH A GROUP TERMINATION OR EXIT INCENTIVE PLAN] FOLLOWING THE DATE OF TERMINATION OF MY EMPLOYMENT TO CONSIDER THIS RELEASE;
- (vi) CHANGES TO THIS RELEASE, WHETHER MATERIAL OR IMMATERIAL, DO NOT RESTART THE RUNNING OF THE 21-DAY [OR 45 DAY] CONSIDERATION PERIOD;
- (vii) I UNDERSTAND THAT I HAVE SEVEN (7) DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT, SUCH REVOCATION TO BE RECEIVED IN WRITING BY THE COMPANY BY THE END OF THE SEVENTH DAY AFTER THE DATE HEREOF, AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;
- (viii) I HAVE SIGNED THIS RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND
- (ix) I AGREE THAT THE PROVISIONS OF THIS RELEASE MAY NOT BE AMENDED, WAIVED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

DATED AS OF _____

Adrian Vazquez, M.D.



**AMENDED AND RESTATED
HOSPITALIST PARTICIPATION SERVICE AGREEMENT**

This HOSPITALIST PARTICIPATION SERVICE AGREEMENT (this "Agreement") is made and entered into as of June 29, 2016 (the "Effective Date"), by and between ApolloMed Hospitalists, A Medical Corporation ("Group"), a California professional corporation located at P.O. Box 4555, Glendale, CA 91222, and Warren Hosseini, M.D., a physician ("Provider"), having his principal place of business at 700 N. Brand Blvd. Suite 1400, Glendale, CA 91203.

RECITALS

WHEREAS, Group intends to enter into agreements with, but not limited to, Independent Physician Associations (IPA's), private community physicians (Physicians) and contracted hospitals (Hospital(s)) for the provision of inpatient medical services to persons enrolled as Enrollees (Enrollees) of IPA's or patients assigned to group as attending physician or consultant by Physician(s) or Hospital(s).

WHEREAS, Group and Provider are parties to a Hospitalist Participation Service Agreement dated March 28, 2014 (the "Prior Agreement"), and the parties desire that this Agreement shall amend, restate and supersede the Prior Agreement in its entirety as provided in the section "Entire Agreement";

WHEREAS, Group and Provider desire to enter into a contract whereby Provider agrees to provide Covered Inpatient Intensive Medicine Services on behalf of Group to Enrollees of IPA's or patients assigned to group as a locum tenens attending physician or consultant by, but not limited to, Hospital(s) and Physician(s) which contract with Group.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, the parties agree as follows:

RETENTION OF PROVIDER

1. Provider shall, at all times, be deemed an, employee. Both parties acknowledge that Provider is an employee for any and all purposes, including state and federal tax withholdings and that: (1) Provider will not incur business expenses that are not reimbursed by the Group except as otherwise expressly stated in this Agreement, (3) Provider will exercise independent discretion in and control the performance of services that Provider renders pursuant to this Agreement, and (4) Group may supply Provider with the tools and instrumentalities used in the performance of such services at Group's discretion. This Agreement is primarily to achieve the result of the service Provider will render, not the means by which the service will be accomplished.
2. Provider will devote high professional standards and very good effort and attention to the performance of services pursuant to this Agreement. Provider will use good judgment, adhere to high ethical standards, and avoid situations that create an actual or perceived conflict between Provider's interests and the interests of Group. While providing services to Group, Provider will respect Group's procedures and policies so as not to create unsafe situations, hinder Group's patient, employee or vendor relationships, expose Group to undue risks or losses or cause dissension among the Group's employees.

ARTICLE I
SERVICES TO BE PERFORMED BY PROVIDER

Provider agrees to be available to provide and/or arrange coverage for Covered Inpatient Intensive Medicine Services to Enrollees of IPA's, or patients assigned to group as attending physician by Hospital(s) or Physician(s) on an as-needed basis. Said Covered Inpatient Intensive Medicine Services as referenced in Exhibit "A" shall be provided to Enrollees of each and every IPA which has (1) contracted with the Group and (2) has accepted Group to provide Covered Inpatient Intensive Medicine Services to its Enrollees and to patients assigned to Group as attending physician by Hospital(s) or Physician(s). Provider agrees to provide said Covered Inpatient Intensive Medicine Services at Group's Participating Hospitals as referenced in Exhibit "B". IPA's contracted with Group are listed in Exhibit "C."

ARTICLE II
REPRESENTATIONS

GROUP hereby warrants and represents that it is a California medical professional corporation that is in good standing with the California Secretary of State.

PROVIDER hereby warrants and represents that he or she is duly licensed to practice medicine in the State of California and is in good standing with the Medical Board of California. Provider further warrants and represents that he or she is currently either Board Certified or Board Eligible, and that for the duration of this Agreement shall remain in good standing with the Medical Board of California and with the medical staff of the Primary Hospital(s) with privileges in Inpatient Intensive Medicine.

ARTICLE III
COMPENSATION

Standard Compensation. Group shall compensate Provider for Covered Inpatient Intensive Medicine Services as follows:

Day, Night and Swing Shift at \$167 per hour.
On-Call Home Shifts at \$750 per night per hospital.
Hospitalist Site Medical Director at \$167 per hour.

ARTICLE IV
OBLIGATIONS OF GROUP

1. Group will secure throughout the entire term of this Agreement a policy of professional malpractice liability insurance on behalf of Provider with an insurance company admitted and licensed in the State of California. The minimum coverage amount must be One Million Dollars (\$1,000,000) per claim and Three Million Dollars (\$3,000,000) in the annual aggregate. Group shall supply evidence of current insurance upon the Provider's demand at any time. Should Provider elect to obtain such coverage through an insurance other than that arranged by the Group, Group will remit the costs of the premiums on a monthly basis to the Provider as invoiced to Group by the Provider.
2. Group also agrees to maintain or purchase a tail policy for a period of not less than five (5) years following the effective termination date of the foregoing policy. Said tail policy shall have the same policy limits as the primary professional liability policy. Should Provider elect to obtain such coverage through an insurance policy other than that arranged by the Group, Group shall fully reimburse Provider for the cost of said tail policy.

ARTICLE V
OBLIGATIONS OF PROVIDER

1. During the entire term of this Agreement, Provider shall remain in good standing with the medical staff(s) of the Primary Hospital(s) as referenced in Exhibit "B" with privileges in Inpatient Intensive Medicine. Loss of such medical staff membership or loss, impairment, suspension or reduction in privileges shall result in immediate termination of this Agreement.
2. Provider shall advise Group of each malpractice claim filed against Provider and each settlement or judgment of malpractice within fifteen (15) days following said filing, settlement, or judgment. Provider represents and warrants that no claims of malpractice have been made against Provider except as previously indicated in writing to the Group.
3. Provider has agreed to provide Covered Inpatient Intensive Medical Services as referenced in Exhibit "A," Exhibit "B," and Exhibit "C."
4. Provider shall maintain active licenses and DEA numbers in the State of California. Group shall pay all associated licensing fees and expenses. Provider may also maintain active or inactive licenses in other states at Provider's sole expense.
5. Provider shall cooperate with independent quality review and improvement organization activities pertaining to provision of services. Provider shall comply with M+CO medical policies, quality assurance programs and medical management programs. Provider shall fully cooperate with and adhere to Medicare's appeals, expedited appeals and expedited review procedures for M+CO Members, including gathering and forwarding information on appeals to M+CO as necessary.
6. Provider shall abide by all standards specified by the Healthcare Facilities Accreditation Program or the Joint Commission (whichever is applicable), or any comparable deemed status organization in the current accreditation manual for hospitals and all regulations set forth in Title 22, Division 5 of the California Code of Regulations, with respect to the provision of the Services.
7. As to those patients assigned to Provider, Provider shall:
 - (a) Timely assess all newly admitted patients in accordance with the following timelines:
 - (1) Admissions to Units Other Than ICU – In accordance with existing hospital policy, unless the clinical status of the patient warrants an earlier assessment;
 - (2) Admission to ICU - In accordance with existing hospital policy, unless the clinical status of the patient warrants an earlier assessment; and
 - (3) Emergency Department – Within thirty (30) minutes of request from Emergency Department.
 - (b) Communicate with the patient's Primary Care Physician, where applicable, regarding the patient's medical condition and treatment plan within twenty-four (24) hours of admission, at least every forty-eight (48) hours during the patient's inpatient stay, and within twenty-four (24) hours of discharge.
 - (c) Provide encounter data on all services rendered at Hospital as requested by Hospital;
 - (d) Communicate with Hospital's Case Management Staff on a daily basis regarding the patient's medical condition, treatment plan, and discharge status;
 - (e) Obtain consultations with specialists and other members of the Medical Staff as may be required by the patient's medical condition.

- (f) Cooperate in promptly transitioning care back to the Patient's primary care physician upon discharge, by, among other things:
 - (1) Preparing discharge instructions (i.e., the discharge sheet) to be faxed or submitted to the primary care physician on the day of discharge; and
 - (2) Timely completing the discharge summary, as required by hospital rules.
- (g) Provide consultations to those staff physicians who have elected to admit patients to the Hospital.

8. In the event a patient requests his/her own primary care physician, Provider will provide such care as may be immediately required under the circumstances, and shall promptly call and inform the primary care physician of the patient's request.

ARTICLE VI **CONFIDENTIALITY/NONDISCLOSURE**

- 1. Provider understands that, in connection with his or her engagement with Group, he or she may receive, produce, or otherwise be exposed to trade secrets and/or confidential, trade or secret information about Group or any affiliate of Group (collectively, "Confidential Information"), in addition to all information Group receives from others under an obligation of confidentiality.
- 2. Provider acknowledges that trade secrets and Confidential Information are the sole, exclusive and extremely valuable property of Group. Accordingly, Provider agrees to segregate all trade secrets and/or Confidential Information from information of other companies and agrees not to reproduce any trade secrets, Confidential Information without Group's prior written consent, not to use trade secrets and/or Confidential Information except in the performance of this Agreement, and not to divulge all or any part of any trade secrets and/or Confidential Information in any form to any third party, either during or after the term of this Agreement. Upon termination or expiration of this Agreement for any reason, Provider agrees to cease using and to return to Group all whole and partial copies and derivatives of any trade secrets and/or Confidential Information, whether in Provider's possession or under Provider's direct or indirect control, including any computer access codes and/or nodes.
- 3. Provider shall not disclose or otherwise make available to Group in any manner any confidential and proprietary information received by Provider from third parties. Provider warrants that his or her performance of all the terms of this Agreement does not and will not breach any agreement entered into by Provider with any other party, and Provider agrees not to enter into any agreement, oral or written, in conflict with this Agreement. In addition, Provider recognizes that Group has proprietary information subject to a duty on Group's part to maintain the confidentiality of such information and to use such information only for certain limited purposes. Provider agrees that he or she owes to Group and such third parties, during the term of the Provider's relationship with Group and thereafter, regardless for the reason of termination of the relationship, a duty to hold all such confidential or proprietary information in the strictest of confidence and not to disclose such information to any person, Group or corporation (except as necessary in carrying out his or her work for Group consistent with Group's agreement with such third party) or to use such information for the benefit of anyone other than for Group or such third party (consistent with Group's agreement with such third party).
- 4. Provider shall comply with all state, federal and other government requirements regarding medical records, including requirements regarding completion of records, retention of records, access to records, confidentiality of records, and submission of reports, including but not limited to HIPAA.
- 5. The provisions of this Article shall remain enforceable regardless of any termination of the Agreement.

ARTICLE VII
RESTRICTION ON SOLICITATION

Provider shall not, for as long as Provider is providing services to Group hereunder and for a period of twelve months after the termination of this Agreement, directly or indirectly, promote, participate, or engage in any business activity that would interfere with the performance of Group's business. By way of example only and not by way of limitation, Provider shall not solicit, attempt to solicit, or cause to be solicited any patients or clients of Group, nor will Provider solicit, attempt to solicit, or cause to be solicited any employees, agents or independent contractors of Group to cease their relationship with Group. The parties expressly acknowledge that remedies at law shall be deemed to be inadequate for any breach of any of the covenants of this section, and Group shall be entitled to injunctive relief in addition to any other remedies it may have in law or in equity in the event of such breach. This section shall remain enforceable regardless of any termination of the Agreement.

ARTICLE VIII
MISCELLANEOUS

1. This Agreement reflects the entirety of the Agreement of the parties and may be amended or modified only by a written document signed by both parties hereto.
2. Any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and delivered in person or sent by registered or certified mail, postage prepaid or sent by recognized over-night courier service, to the party at the address set forth above or such other address as a party shall designate by notice given pursuant to this section and shall be deemed given when delivered personally, five (5) days after mailing by certified or registered mail, return receipt requested, or on the second business day after deposit with a recognized over-night courier service.
3. The rights, benefits and obligations of Group under this Agreement shall be fully assignable and transferable, and all provisions herein shall inure to the benefit of and be enforceable by or against its successors and assigns.
4. Nothing contained in this Agreement shall be construed to permit assignment by Provider of any rights or obligations under this Agreement and any such assignment is expressly prohibited.
5. If any provision in this Agreement is held by a court or arbitrator of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions will nevertheless continue in full force without being impaired or invalidated in any way.
6. In case of enforcement action arising under or related to this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs, and necessary disbursements in addition to any other relief to which he or she may be entitled. This provision shall be construed as applicable to the entire Agreement.
7. This Agreement will be governed by and construed in accordance with the laws of the State of California.
8. Provider acknowledges that he or she had the opportunity to consult an attorney regarding the terms of this Agreement and has either received or waived such advice.
9. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same Agreement.

ARTICLE X
VOLUNTARY AND OPTIONAL AGREEMENT TO ARBITRATE DISPUTES

Any controversy or claim arising out of or relating to this Agreement, or breach thereof, shall be settled by binding arbitration pursuant to the following terms and conditions, which shall remain enforceable regardless of any termination of the Agreement:

1. Voluntary Agreement.

The purpose of arbitration is to resolve any disputes in a timely, fair and individualized manner. Provider's agreement to Arbitrate is not a mandatory condition of this Agreement, and if Provider rescinds his or her acceptance of the agreement to Arbitrate within the time specified below, this Article shall not be enforceable. At the written request of either Party, the Parties agree to consider, in good faith, any reasonable proposal to modify or amend the terms proposed by the other Party, or previously agreed upon in writing by the Parties. Provider is free to consult an attorney of his or her choice in connection with this process. If the Provider wishes to rescind his or her acceptance of the agreement to Arbitrate, he or she may do so at any time within 30 days of signing the Agreement by delivering and maintaining proof of delivery (such as a return receipt of certified mailing) of a signed written notice to the Group that Provider's acceptance of the agreement to arbitrate pursuant to this Article has been rescinded. In the absence of a written, mutually executed amendment, this Article shall set forth the full and complete agreement between the Parties concerning the matters addressed within the scope of this Article and shall supersede all prior oral or written agreements concerning these matters.

2. Covered Disputes.

These arbitration provisions shall apply to any claim or dispute alleging liability that arises from or relates to this Agreement, including, but not limited to, claims of wrongful employment termination, breach of contract, respondeat superior or vicarious liability, harassment or discrimination in employment, disputes concerning wage laws that are applicable only to employees, and all other similar employment relationship, contract, and principle-agent claims. The Arbitrator selected by the Parties shall be solely responsible for resolving any disputes over the interpretation or application of this Arbitration Agreement. Any arbitrable claims that, standing alone, would not be subject to these arbitration provisions shall be included within the scope of these standards if they arise from the same transaction or occurrence as claims that are independently subject to these arbitration provisions.

3. Dispute Resolution Procedures.

The parties agree that each of them shall attempt to provide timely notice to the other party of any actual or perceived claim against the other and that they shall attempt to informally resolve any dispute that arises between them.

If a dispute cannot be resolved informally, the parties agree that it shall be submitted to final and binding arbitration before a single neutral arbitrator (the "Arbitrator"), selected from the then-current panel of the American Arbitration Association ("AAA") that is most appropriate for the nature of the dispute as determined by mutual agreement of the parties or, if such agreement cannot be reached, by AAA. Except as otherwise expressly provided in this Agreement, the arbitration shall be conducted in accordance with the AAA Rules corresponding to the nature of the dispute. Should the nature of the dispute be deemed to fall within the Employment Rules, the Employment Rules of the AAA shall apply except as otherwise expressly provided by this Agreement. Other than in conjunction with a properly instituted arbitration, the parties shall not be required to adhere to mediation procedures prescribed by any AAA Rules except upon mutual agreement.

Except as otherwise expressly provided in this Agreement, the interpretation, scope and enforcement of these arbitration provisions and all procedural issues shall be governed by the procedural and substantive provisions of the Federal Arbitration Act, 9 U.S.C. § 1 *et seq.* (the "FAA"), the federal decisional law construing the FAA, and the AAA Rules, provided the AAA Rules do not conflict with the FAA. In the event of a conflict, the terms of this Article and the FAA will prevail over the AAA Rules.

The arbitration fees incurred pursuant to these arbitration provisions will be borne as determined by the AAA Rules, unless the Employment Rules apply, in which case they shall be paid exclusively by the Group. Except as otherwise permitted by law and awarded by the arbitrator, each party shall bear her, his, or its own attorney fees and costs. In submitting their disputes to final and binding resolution by the Arbitrator, **THE PARTIES VOLUNTARILY AND KNOWINGLY WAIVE ANY RIGHT THEY HAVE TO A JURY TRIAL OR COURT TRIAL.**

4. Small Claims Procedures.

If either Party asserts that a dispute involves an amount in controversy that is too small to warrant resolution by standard arbitration procedures, the claim may be resolved by a summary small claims procedure (the "Small Claims Procedure"). The Parties shall meet and confer to agree on whether the use of a Small Claims Procedure is appropriate in light of the nature and amount of the claim and, if so, what dispute resolution procedures are most appropriate. To the extent the Parties are unable to agree, the Arbitrator shall decide whether and to what extent a Small Claims Procedure shall apply. The Small Claims Procedure may involve relaxed rules of evidence, the use of broad principles of equity in place of strict application of law, telephonic hearings, and such other economic procedures as the Arbitrator deems appropriate under the circumstances of the dispute and consistent with due process. In no event, however, shall the Arbitrator utilize a Small Claims Procedure for a dispute involving a claim in excess of \$50,000.

5. Claims of Non-Parties Excluded From Arbitration.

The Parties wish to resolve any disputes between them in an individualized, informal, timely, and inexpensive manner and to eliminate, to the maximum extent possible, any resort to litigation in a court of law. Consequently, the Arbitrator shall not consolidate or combine the resolution of any claim or dispute between the Parties pursuant to these arbitration provisions with the resolution of any claim by any other party or parties, including but not limited to any other actual or claimed employee of the Group. Nor shall the Arbitrator have the authority to certify a class under Federal Rule of Civil Procedure Rule 23, analogous state rules, or AAA rules pertaining to class arbitration, and the Arbitrator shall not decide claims on behalf of any other party or parties.

**ARTICLE XI
TERM OF AGREEMENT**

This Agreement will become effective on the Effective Date and shall be effective for an initial period ending on the last day of Group's current fiscal year, unless sooner terminated pursuant to the terms of this Agreement. This Agreement shall automatically be renewed for successive periods of twelve (12) months after such date, each on the same terms and conditions contained herein, unless sooner terminated pursuant to the terms of the Agreement.

**ARTICLE XII
TERMINATION OF THE AGREEMENT**

Notwithstanding any other provision of this Agreement to the contrary, Group shall have the right to terminate this Agreement for cause. In the event Provider is terminated by the Group for cause, termination shall be effective immediately following the giving of notice of termination by Group. For purposes of this section, cause shall include, but shall not be limited to, the following:

1. Provider repeatedly denies Covered Medical Services to Enrollees inappropriately, as determined by the Group.
2. Provider repeatedly fails to comply with Group's quality improvement and utilization management policies and accessibility and availability standards.

3. Provider fails to comply with Obligations as referenced in Article V.
4. Provider breaches any other term of this Agreement.
5. Loss, restriction or suspension of Provider's professional license to practice medicine in the State of California.
6. Provider's suspension or exclusion from the Medicare program.
7. Provider violates the State Medical Practice Act.
8. Provider's services place the safety of patients in imminent jeopardy.
9. Provider is convicted of a felony or crime or moral turpitude under State or Federal law.
10. Provider violates ethical and professional codes of conduct of the workplace as specified under State and Federal law.
11. Provider's medical staff privileges at any Participating Hospital are revoked, cancelled, suspended or limited.
12. Provider work product is unsatisfactory as measured by criteria set in the discretion of the Group.
13. There is a material and, to the extent cure is permitted under such agreement, uncured breach by Provider, or grounds for termination for cause exist, under any one of the following (as each such agreement may be amended or replaced from time to time):
 - (A) Amended and Restated Employment Agreement with Apollo Medical Management, Inc., a California corporation, of even date herewith,
 - (B) that certain Shareholder Agreement dated as of March 28, 2014, between Apollo Medical Holdings, Inc., a Delaware corporation, Warren Hosseinion, M.D., Adrian Vazquez, M.D. and NNA of Nevada, Inc., a Nevada corporation,
 - (C) that certain Physician Shareholder Agreement dated as of March 28, 2014, by Provider in favor of Apollo Medical Management, Inc., a California corporation, and Apollo Medical Holdings, Inc., a Delaware corporation, and for the account of Maverick Medical Group, Inc., a California professional corporation,
 - (D) that certain Physician Shareholder Agreement dated as of March 28, 2014, by Provider in favor of Apollo Medical Management, Inc., a California corporation, and Apollo Medical Holdings, Inc., a Delaware corporation, and for the account of ApolloMed Care Clinic, A Professional Corporation, a California professional corporation, or
 - (E) that certain Physician Shareholder Agreement dated as of March 28, 2014, by Provider in favor of Apollo Medical Management, Inc., a California corporation, and Apollo Medical Holdings, Inc., a Delaware corporation, and for the account of Group.

Notwithstanding any other provision in this Agreement to the contrary, this Agreement may be terminated by Group, at any time, without cause, by the giving of ninety (90) days prior written notice to Provider.

Notwithstanding any other provision in this Agreement to the contrary, this Agreement may be terminated by Provider, at any time, without cause, by the giving of ninety (90) days prior written notice to Group.

Notwithstanding anything to the contrary contained in this Agreement, this Agreement may be terminated at any time by mutual written consent of the parties to this Agreement.

Notwithstanding any other provision of this Agreement, in the event that any IPA contracting with Group notifies Group that said IPA wishes to remove Group from the IPA's roster of participating physicians, Group shall have the right to terminate this Agreement by the giving of ninety (90) days prior written notice to Provider.

ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the Group and Provider with respect to matters relating to Provider's retention, and it supersedes all previous oral or written communications, representations, or agreements between the parties. This Agreement amends, restates and supersedes in their entirety the Prior Agreement any and all prior Hospitalist Participation Services Agreements between Provider and Group.

THIS AGREEMENT CONTAINS PROVISIONS FOR THE ARBITRATION OF DISPUTES AND WAIVER OF THE RIGHT TO TRIAL BY JURY OR COURT

Executed at Glendale, California, as of the Effective Date.

ApolloMed Hospitalists, A Medical Corporation:

By: /s/ Warren Hosseinion
(Signature)

Name: Warren Hosseinion
Title: CEO

PROVIDER:

/s/ Warren Hosseinion
(Signature)

Warren Hosseinion, M.D.

EXHIBIT A

Provider shall be responsible for the following duties:

1. Medical Admissions (elective, urgent, emergent)
2. Surgical Admissions (elective, urgent, emergent)
3. Transfers: Out-of-Area and Out-of-Network (medical or surgical)
4. The Provider will need to communicate verbally with every patient's primary care physician within 24 hours of admission and on the day of discharge.
5. Visit all patients daily, including TCU (transitional care unit) patients.
6. Provider will need to dictate all H&P's within 24 hours of admission and all discharge summaries on the day of discharge.
7. Discussion of cases with families.
8. Conferring with discharge planner, UR nurse, UR coordinator, medical directors, case managers, or UR directors.
9. The Medical Director and/or designee reserves the right to request involvement of Provider on any patient for which the Group is contracted to provide inpatient services to.
10. Provider must be available, telephonically or by pager, at all times to Medical Director and/or designee, and to all other Group physicians, even when Provider is not on-call.
11. Provider will completely enter all patient information and Encounter Data, including but not limited to, Daily Visit Codes and Billing Codes, into the ApolloMed web-based database on a daily basis. Provider may enter this data either on a desktop computer or via a PDA phone. Provider shall be responsible for providing these duties to all patients for which Group is contracted to provide inpatient services to, at the Participating Hospitals as referenced in Exhibit B and Exhibit C.

EXHIBIT B

PARTICIPATING HOSPITALS

All hospitals where Group maintains a Hospitalist Program from time to time.

EXHIBIT C

All patients assigned from time to time to IPA's/Groups/Healthplans/Hospitals Contracted with ApolloMed Hospitalists

Additionally, Provider will be responsible for the inpatient care of the private patients (Medicare, MedicAid, PPO, POS) of all primary care physicians who have designated Group to do their hospitalist work.



**AMENDED AND RESTATED
HOSPITALIST PARTICIPATION SERVICE AGREEMENT**

This HOSPITALIST PARTICIPATION SERVICE AGREEMENT (this "Agreement") is made and entered into as of June 29, 2016 (the "Effective Date"), by and between ApolloMed Hospitalists, A Medical Corporation ("Group"), a California professional corporation located at P.O. Box 4555, Glendale, CA 91222, and Adrian Vazquez, M.D., a physician ("Provider"), having his principal place of business at 700 N. Brand Blvd. Suite 1400, Glendale, CA 91203.

RECITALS

WHEREAS, Group intends to enter into agreements with, but not limited to, Independent Physician Associations (IPA's), private community physicians (Physicians) and contracted hospitals (Hospital(s)) for the provision of inpatient medical services to persons enrolled as Enrollees (Enrollees) of IPA's or patients assigned to group as attending physician or consultant by Physician(s) or Hospital(s).

WHEREAS, Group and Provider are parties to a Hospitalist Participation Service Agreement dated March 28, 2014 (the "Prior Agreement"), and the parties desire that this Agreement shall amend, restate and supersede the Prior Agreement in its entirety as provided in the section "Entire Agreement";

WHEREAS, Group and Provider desire to enter into a contract whereby Provider agrees to provide Covered Inpatient Intensive Medicine Services on behalf of Group to Enrollees of IPA's or patients assigned to group as a locum tenens attending physician or consultant by, but not limited to, Hospital(s) and Physician(s) which contract with Group.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, the parties agree as follows:

RETENTION OF PROVIDER

1. Provider shall, at all times, be deemed an, employee. Both parties acknowledge that Provider is an employee for any and all purposes, including state and federal tax withholdings and that: (1) Provider will not incur business expenses that are not reimbursed by the Group except as otherwise expressly stated in this Agreement, (3) Provider will exercise independent discretion in and control the performance of services that Provider renders pursuant to this Agreement, and (4) Group may supply Provider with the tools and instrumentalities used in the performance of such services at Group's discretion. This Agreement is primarily to achieve the result of the service Provider will render, not the means by which the service will be accomplished.
2. Provider will devote high professional standards and very good effort and attention to the performance of services pursuant to this Agreement. Provider will use good judgment, adhere to high ethical standards, and avoid situations that create an actual or perceived conflict between Provider's interests and the interests of Group. While providing services to Group, Provider will respect Group's procedures and policies so as not to create unsafe situations, hinder Group's patient, employee or vendor relationships, expose Group to undue risks or losses or cause dissension among the Group's employees.

ARTICLE I
SERVICES TO BE PERFORMED BY PROVIDER

Provider agrees to be available to provide and/or arrange coverage for Covered Inpatient Intensive Medicine Services to Enrollees of IPA's, or patients assigned to group as attending physician by Hospital(s) or Physician(s) on an as-needed basis. Said Covered Inpatient Intensive Medicine Services as referenced in Exhibit "A" shall be provided to Enrollees of each and every IPA which has (1) contracted with the Group and (2) has accepted Group to provide Covered Inpatient Intensive Medicine Services to its Enrollees and to patients assigned to Group as attending physician by Hospital(s) or Physician(s). Provider agrees to provide said Covered Inpatient Intensive Medicine Services at Group's Participating Hospitals as referenced in Exhibit "B". IPA's contracted with Group are listed in Exhibit "C."

ARTICLE II
REPRESENTATIONS

GROUP hereby warrants and represents that it is a California medical professional corporation that is in good standing with the California Secretary of State.

PROVIDER hereby warrants and represents that he or she is duly licensed to practice medicine in the State of California and is in good standing with the Medical Board of California. Provider further warrants and represents that he or she is currently either Board Certified or Board Eligible, and that for the duration of this Agreement shall remain in good standing with the Medical Board of California and with the medical staff of the Primary Hospital(s) with privileges in Inpatient Intensive Medicine.

ARTICLE III
COMPENSATION

Standard Compensation. Group shall compensate Provider for Covered Inpatient Intensive Medicine Services as follows:

Day, Night and Swing Shift at \$167 per hour.
On-Call Home Shifts at \$750 per night per hospital.
Hospitalist Site Medical Director at \$167 per hour.

ARTICLE IV
OBLIGATIONS OF GROUP

1. Group will secure throughout the entire term of this Agreement a policy of professional malpractice liability insurance on behalf of Provider with an insurance company admitted and licensed in the State of California. The minimum coverage amount must be One Million Dollars (\$1,000,000) per claim and Three Million Dollars (\$3,000,000) in the annual aggregate. Group shall supply evidence of current insurance upon the Provider's demand at any time. Should Provider elect to obtain such coverage through an insurance other than that arranged by the Group, Group will remit the costs of the premiums on a monthly basis to the Provider as invoiced to Group by the Provider.
2. Group also agrees to maintain or purchase a tail policy for a period of not less than five (5) years following the effective termination date of the foregoing policy. Said tail policy shall have the same policy limits as the primary professional liability policy. Should Provider elect to obtain such coverage through an insurance policy other than that arranged by the Group, Group shall fully reimburse Provider for the cost of said tail policy.

ARTICLE V
OBLIGATIONS OF PROVIDER

1. During the entire term of this Agreement, Provider shall remain in good standing with the medical staff(s) of the Primary Hospital(s) as referenced in Exhibit "B" with privileges in Inpatient Intensive Medicine. Loss of such medical staff membership or loss, impairment, suspension or reduction in privileges shall result in immediate termination of this Agreement.
2. Provider shall advise Group of each malpractice claim filed against Provider and each settlement or judgment of malpractice within fifteen (15) days following said filing, settlement, or judgment. Provider represents and warrants that no claims of malpractice have been made against Provider except as previously indicated in writing to the Group.
3. Provider has agreed to provide Covered Inpatient Intensive Medical Services as referenced in Exhibit "A," Exhibit "B," and Exhibit "C."
4. Provider shall maintain active licenses and DEA numbers in the State of California. Group shall pay all associated licensing fees and expenses. Provider may also maintain active or inactive licenses in other states at Provider's sole expense.
5. Provider shall cooperate with independent quality review and improvement organization activities pertaining to provision of services. Provider shall comply with M+CO medical policies, quality assurance programs and medical management programs. Provider shall fully cooperate with and adhere to Medicare's appeals, expedited appeals and expedited review procedures for M+CO Members, including gathering and forwarding information on appeals to M+CO as necessary.
6. Provider shall abide by all standards specified by the Healthcare Facilities Accreditation Program or the Joint Commission (whichever is applicable), or any comparable deemed status organization in the current accreditation manual for hospitals and all regulations set forth in Title 22, Division 5 of the California Code of Regulations, with respect to the provision of the Services.
7. As to those patients assigned to Provider, Provider shall:
 - (a) Timely assess all newly admitted patients in accordance with the following timelines:
 - (1) Admissions to Units Other Than ICU – In accordance with existing hospital policy, unless the clinical status of the patient warrants an earlier assessment;
 - (2) Admission to ICU - In accordance with existing hospital policy, unless the clinical status of the patient warrants an earlier assessment; and
 - (3) Emergency Department – Within thirty (30) minutes of request from Emergency Department.
 - (b) Communicate with the patient's Primary Care Physician, where applicable, regarding the patient's medical condition and treatment plan within twenty-four (24) hours of admission, at least every forty-eight (48) hours during the patient's inpatient stay, and within twenty-four (24) hours of discharge.
 - (c) Provide encounter data on all services rendered at Hospital as requested by Hospital;
 - (d) Communicate with Hospital's Case Management Staff on a daily basis regarding the patient's medical condition, treatment plan, and discharge status;
 - (e) Obtain consultations with specialists and other members of the Medical Staff as may be required by the patient's medical condition.

(f) Cooperate in promptly transitioning care back to the Patient's primary care physician upon discharge, by, among other things:

- (1) Preparing discharge instructions (i.e., the discharge sheet) to be faxed or submitted to the primary care physician on the day of discharge; and
- (2) Timely completing the discharge summary, as required by hospital rules.

(g) Provide consultations to those staff physicians who have elected to admit patients to the Hospital.

8. In the event a patient requests his/her own primary care physician, Provider will provide such care as may be immediately required under the circumstances, and shall promptly call and inform the primary care physician of the patient's request.

ARTICLE VI
CONFIDENTIALITY/NONDISCLOSURE

1. Provider understands that, in connection with his or her engagement with Group, he or she may receive, produce, or otherwise be exposed to trade secrets and/or confidential, trade or secret information about Group or any affiliate of Group (collectively, "Confidential Information"), in addition to all information Group receives from others under an obligation of confidentiality.
2. Provider acknowledges that trade secrets and Confidential Information are the sole, exclusive and extremely valuable property of Group. Accordingly, Provider agrees to segregate all trade secrets and/or Confidential Information from information of other companies and agrees not to reproduce any trade secrets, Confidential Information without Group's prior written consent, not to use trade secrets and/or Confidential Information except in the performance of this Agreement, and not to divulge all or any part of any trade secrets and/or Confidential Information in any form to any third party, either during or after the term of this Agreement. Upon termination or expiration of this Agreement for any reason, Provider agrees to cease using and to return to Group all whole and partial copies and derivatives of any trade secrets and/or Confidential Information, whether in Provider's possession or under Provider's direct or indirect control, including any computer access codes and/or nodes.
3. Provider shall not disclose or otherwise make available to Group in any manner any confidential and proprietary information received by Provider from third parties. Provider warrants that his or her performance of all the terms of this Agreement does not and will not breach any agreement entered into by Provider with any other party, and Provider agrees not to enter into any agreement, oral or written, in conflict with this Agreement. In addition, Provider recognizes that Group has proprietary information subject to a duty on Group's part to maintain the confidentiality of such information and to use such information only for certain limited purposes. Provider agrees that he or she owes to Group and such third parties, during the term of the Provider's relationship with Group and thereafter, regardless for the reason of termination of the relationship, a duty to hold all such confidential or proprietary information in the strictest of confidence and not to disclose such information to any person, Group or corporation (except as necessary in carrying out his or her work for Group consistent with Group's agreement with such third party) or to use such information for the benefit of anyone other than for Group or such third party (consistent with Group's agreement with such third party).
4. Provider shall comply with all state, federal and other government requirements regarding medical records, including requirements regarding completion of records, retention of records, access to records, confidentiality of records, and submission of reports, including but not limited to HIPAA.
5. The provisions of this Article shall remain enforceable regardless of any termination of the Agreement.

ARTICLE VII
RESTRICTION ON SOLICITATION

Provider shall not, for as long as Provider is providing services to Group hereunder and for a period of twelve months after the termination of this Agreement, directly or indirectly, promote, participate, or engage in any business activity that would interfere with the performance of Group's business. By way of example only and not by way of limitation, Provider shall not solicit, attempt to solicit, or cause to be solicited any patients or clients of Group, nor will Provider solicit, attempt to solicit, or cause to be solicited any employees, agents or independent contractors of Group to cease their relationship with Group. The parties expressly acknowledge that remedies at law shall be deemed to be inadequate for any breach of any of the covenants of this section, and Group shall be entitled to injunctive relief in addition to any other remedies it may have in law or in equity in the event of such breach. This section shall remain enforceable regardless of any termination of the Agreement.

ARTICLE VIII
MISCELLANEOUS

1. This Agreement reflects the entirety of the Agreement of the parties and may be amended or modified only by a written document signed by both parties hereto.
2. Any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and delivered in person or sent by registered or certified mail, postage prepaid or sent by recognized over-night courier service, to the party at the address set forth above or such other address as a party shall designate by notice given pursuant to this section and shall be deemed given when delivered personally, five (5) days after mailing by certified or registered mail, return receipt requested, or on the second business day after deposit with a recognized over-night courier service.
3. The rights, benefits and obligations of Group under this Agreement shall be fully assignable and transferable, and all provisions herein shall inure to the benefit of and be enforceable by or against its successors and assigns.
4. Nothing contained in this Agreement shall be construed to permit assignment by Provider of any rights or obligations under this Agreement and any such assignment is expressly prohibited.
5. If any provision in this Agreement is held by a court or arbitrator of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions will nevertheless continue in full force without being impaired or invalidated in any way.
6. In case of enforcement action arising under or related to this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs, and necessary disbursements in addition to any other relief to which he or she may be entitled. This provision shall be construed as applicable to the entire Agreement.
7. This Agreement will be governed by and construed in accordance with the laws of the State of California.
8. Provider acknowledges that he or she had the opportunity to consult an attorney regarding the terms of this Agreement and has either received or waived such advice.
9. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same Agreement.

ARTICLE X
VOLUNTARY AND OPTIONAL AGREEMENT TO ARBITRATE DISPUTES

Any controversy or claim arising out of or relating to this Agreement, or breach thereof, shall be settled by binding arbitration pursuant to the following terms and conditions, which shall remain enforceable regardless of any termination of the Agreement:

1. Voluntary Agreement.

The purpose of arbitration is to resolve any disputes in a timely, fair and individualized manner. Provider's agreement to Arbitrate is not a mandatory condition of this Agreement, and if Provider rescinds his or her acceptance of the agreement to Arbitrate within the time specified below, this Article shall not be enforceable. At the written request of either Party, the Parties agree to consider, in good faith, any reasonable proposal to modify or amend the terms proposed by the other Party, or previously agreed upon in writing by the Parties. Provider is free to consult an attorney of his or her choice in connection with this process. If the Provider wishes to rescind his or her acceptance of the agreement to Arbitrate, he or she may do so at any time within 30 days of signing the Agreement by delivering and maintaining proof of delivery (such as a return receipt of certified mailing) of a signed written notice to the Group that Provider's acceptance of the agreement to arbitrate pursuant to this Article has been rescinded. In the absence of a written, mutually executed amendment, this Article shall set forth the full and complete agreement between the Parties concerning the matters addressed within the scope of this Article and shall supersede all prior oral or written agreements concerning these matters.

2. Covered Disputes.

These arbitration provisions shall apply to any claim or dispute alleging liability that arises from or relates to this Agreement, including, but not limited to, claims of wrongful employment termination, breach of contract, respondeat superior or vicarious liability, harassment or discrimination in employment, disputes concerning wage laws that are applicable only to employees, and all other similar employment relationship, contract, and principle-agent claims. The Arbitrator selected by the Parties shall be solely responsible for resolving any disputes over the interpretation or application of this Arbitration Agreement. Any arbitrable claims that, standing alone, would not be subject to these arbitration provisions shall be included within the scope of these standards if they arise from the same transaction or occurrence as claims that are independently subject to these arbitration provisions.

3. Dispute Resolution Procedures.

The parties agree that each of them shall attempt to provide timely notice to the other party of any actual or perceived claim against the other and that they shall attempt to informally resolve any dispute that arises between them.

If a dispute cannot be resolved informally, the parties agree that it shall be submitted to final and binding arbitration before a single neutral arbitrator (the "Arbitrator"), selected from the then-current panel of the American Arbitration Association ("AAA") that is most appropriate for the nature of the dispute as determined by mutual agreement of the parties or, if such agreement cannot be reached, by AAA. Except as otherwise expressly provided in this Agreement, the arbitration shall be conducted in accordance with the AAA Rules corresponding to the nature of the dispute. Should the nature of the dispute be deemed to fall within the Employment Rules, the Employment Rules of the AAA shall apply except as otherwise expressly provided by this Agreement. Other than in conjunction with a properly instituted arbitration, the parties shall not be required to adhere to mediation procedures prescribed by any AAA Rules except upon mutual agreement.

Except as otherwise expressly provided in this Agreement, the interpretation, scope and enforcement of these arbitration provisions and all procedural issues shall be governed by the procedural and substantive provisions of the Federal Arbitration Act, 9 U.S.C. § 1 *et seq.* (the "FAA"), the federal decisional law construing the FAA, and the AAA Rules, provided the AAA Rules do not conflict with the FAA. In the event of a conflict, the terms of this Article and the FAA will prevail over the AAA Rules.

The arbitration fees incurred pursuant to these arbitration provisions will be borne as determined by the AAA Rules, unless the Employment Rules apply, in which case they shall be paid exclusively by the Group. Except as otherwise permitted by law and awarded by the arbitrator, each party shall bear her, his, or its own attorney fees and costs. In submitting their disputes to final and binding resolution by the Arbitrator, **THE PARTIES VOLUNTARILY AND KNOWINGLY WAIVE ANY RIGHT THEY HAVE TO A JURY TRIAL OR COURT TRIAL.**

4. Small Claims Procedures.

If either Party asserts that a dispute involves an amount in controversy that is too small to warrant resolution by standard arbitration procedures, the claim may be resolved by a summary small claims procedure (the "Small Claims Procedure"). The Parties shall meet and confer to agree on whether the use of a Small Claims Procedure is appropriate in light of the nature and amount of the claim and, if so, what dispute resolution procedures are most appropriate. To the extent the Parties are unable to agree, the Arbitrator shall decide whether and to what extent a Small Claims Procedure shall apply. The Small Claims Procedure may involve relaxed rules of evidence, the use of broad principles of equity in place of strict application of law, telephonic hearings, and such other economic procedures as the Arbitrator deems appropriate under the circumstances of the dispute and consistent with due process. In no event, however, shall the Arbitrator utilize a Small Claims Procedure for a dispute involving a claim in excess of \$50,000.

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The Parties wish to resolve any disputes between them in an individualized, informal, timely, and inexpensive manner and to eliminate, to the maximum extent possible, any resort to litigation in a court of law. Consequently, the Arbitrator shall not consolidate or combine the resolution of any claim or dispute between the Parties pursuant to these arbitration provisions with the resolution of any claim by any other party or parties, including but not limited to any other actual or claimed employee of the Group. Nor shall the Arbitrator have the authority to certify a class under Federal Rule of Civil Procedure Rule 23, analogous state rules, or AAA rules pertaining to class arbitration, and the Arbitrator shall not decide claims on behalf of any other party or parties.

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1. Provider repeatedly denies Covered Medical Services to Enrollees inappropriately, as determined by the Group.
2. Provider repeatedly fails to comply with Group's quality improvement and utilization management policies and accessibility and availability standards.

3. Provider fails to comply with Obligations as referenced in Article V.
4. Provider breaches any other term of this Agreement.
5. Loss, restriction or suspension of Provider's professional license to practice medicine in the State of California.
6. Provider's suspension or exclusion from the Medicare program.
7. Provider violates the State Medical Practice Act.
8. Provider's services place the safety of patients in imminent jeopardy.
9. Provider is convicted of a felony or crime or moral turpitude under State or Federal law.
10. Provider violates ethical and professional codes of conduct of the workplace as specified under State and Federal law.
11. Provider's medical staff privileges at any Participating Hospital are revoked, cancelled, suspended or limited.
12. Provider work product is unsatisfactory as measured by criteria set in the discretion of the Group.
13. There is a material and, to the extent cure is permitted under such agreement, uncured breach by Provider, or grounds for termination for cause exist, under any one of the following (as each such agreement may be amended or replaced from time to time):
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THIS AGREEMENT CONTAINS PROVISIONS FOR THE ARBITRATION OF DISPUTES
AND WAIVER OF THE RIGHT TO TRIAL BY JURY OR COURT

Executed at Glendale, California, as of the Effective Date.

ApolloMed Hospitalists, A Medical Corporation:

By: /s/ Warren Hosseinion
(Signature)

Name: Warren Hosseinion
Title: CEO

PROVIDER:

/s/ Adrian Vazquez
(Signature)

Adrian Vazquez, M.D.

EXHIBIT A

Provider shall be responsible for the following duties:

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2. Surgical Admissions (elective, urgent, emergent)
3. Transfers: Out-of-Area and Out-of-Network (medical or surgical)
4. The Provider will need to communicate verbally with every patient's primary care physician within 24 hours of admission and on the day of discharge.
5. Visit all patients daily, including TCU (transitional care unit) patients.
6. Provider will need to dictate all H&P's within 24 hours of admission and all discharge summaries on the day of discharge.
7. Discussion of cases with families.
8. Conferring with discharge planner, UR nurse, UR coordinator, medical directors, case managers, or UR directors.
9. The Medical Director and/or designee reserves the right to request involvement of Provider on any patient for which the Group is contracted to provide inpatient services to.
10. Provider must be available, telephonically or by pager, at all times to Medical Director and/or designee, and to all other Group physicians, even when Provider is not on-call.
11. Provider will completely enter all patient information and Encounter Data, including but not limited to, Daily Visit Codes and Billing Codes, into the ApolloMed web-based database on a daily basis. Provider may enter this data either on a desktop computer or via a PDA phone. Provider shall be responsible for providing these duties to all patients for which Group is contracted to provide inpatient services to, at the Participating Hospitals as referenced in Exhibit B and Exhibit C.

EXHIBIT B

PARTICIPATING HOSPITALS

All hospitals where Group maintains a Hospitalist Program from time to time.

EXHIBIT C

All patients assigned from time to time to IPA's/Groups/Healthplans/Hospitals Contracted with ApolloMed Hospitalists

Additionally, Provider will be responsible for the inpatient care of the private patients (Medicare, MedicAid, PPO, POS) of all primary care physicians who have designated Group to do their hospitalist work.

THIRD AMENDMENT

This **THIRD AMENDMENT** (this "Agreement"), dated as of June 28, 2016, is entered into among **APOLLO MEDICAL HOLDINGS, INC.**, a Delaware corporation ("Company"), and **NNA OF NEVADA, INC.**, a Nevada corporation ("NNA").

RECITALS

A. Reference is made to the Registration Rights Agreement, dated as of March 28, 2014, between Company and NNA (as amended by the First Amendment and Acknowledgement, dated as of February 6, 2015, the Second Amendment and Conversion Agreement, dated as of November 17, 2015 (the "Second Amendment"), and as further amended by the amendments thereto, the "Registration Rights Agreement").

B. Capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Registration Rights Agreement.

STATEMENT OF AGREEMENT

NOW, THEREFORE, in consideration of the mutual provisions, covenants and agreements herein contained, the parties hereto hereby agree as follows:

ARTICLE I AMENDMENTS

1.1 The definition of "Effectiveness Target" set forth in Section 1 of the Registration Rights Agreement is hereby amended to read in full as follows:

"Effectiveness Target" means, with respect to the Initial Registration Statement or the New Registration Statement, the earlier of (i) October 27, 2017 and (ii) the 5th Trading Day after the date the Company is notified (orally or in writing, whichever is earlier) by the Commission that such Registration Statement will not be "reviewed" or will not be subject to further review; provided, that if the Effectiveness Target falls on a Saturday, Sunday or other day that the Commission is closed for business, the Effectiveness Target shall be extended to the next Business Day on which the Commission is open for business.

1.2 The definition of "Filing Deadline" set forth in Section 1 of the Registration Rights Agreement is hereby amended to read in full as follows:

"Filing Deadline" means, with respect to the Initial Registration Statement required to be filed pursuant to **Section 2(a)**, April 28, 2017.

ARTICLE II EFFECTIVENESS

This Agreement, including without limitation the amendments set forth in **Article I**, shall become effective as of May 27, 2016 (such date being referred to as the "Effective Date") when (i) NNA and the Company shall have executed and delivered to each other counterparts of this Agreement and (ii) NNA shall have received the certificates referred to in clause (iii) of Article III of the Second Amendment.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

To induce NNA to enter into this Agreement and the transactions contemplated hereby, Company represents and warrants to NNA as of the Effective Date as follows:

3 . 1 Corporate Organization and Power. Company (i) is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware and (ii) is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the nature of its business or the ownership of its properties requires it to be so qualified, except where the failure to be so qualified, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

3 . 2 Authorization. Company has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery by Company of this Agreement, the compliance by Company with each of the provisions of this Agreement and the other Transaction Documents, and the consummation by Company of the transactions contemplated hereby and thereby (a) are within the corporate power and authority of Company (including such approval and authorization by Company Board required under the Laws of the State of Delaware and Company's certificate of incorporation and bylaws) and (b) have been duly authorized by all necessary corporate action of Company. This Agreement has been duly and validly executed and delivered by Company. Assuming due authorization, execution and delivery by NNA of this Agreement, this Agreement constitutes a valid and binding agreement of Company enforceable against it in accordance with its terms, except (i) as such enforcement is limited by bankruptcy, insolvency and other similar Laws affecting the enforcement of creditors' rights generally and (ii) for limitations imposed by general principles of equity.

3 . 3 No Conflicts; Consents and Approvals; No Violation. Neither the execution, delivery or performance by Company of this Agreement nor the consummation by Company of the transactions contemplated hereby or thereby shall (a) result in a breach or a violation of, any provision of its certificate of incorporation or bylaws; (b) constitute, with or without notice or the passage of time or both, a breach, violation or default, create a Lien, or give rise to any right of termination, modification, cancellation, prepayment, suspension, limitation, revocation or acceleration, under (i) any Law or (ii) any provision of any agreement or other instrument to which it is a party or pursuant to which any of it or any of its assets or properties is subject; or (c) require any consent, Order, approval or authorization of, notification or submission to, filing with, license or permit from, or exemption or waiver by, any Governmental Authority or any other Person (collectively, the "Consents, Approvals and Filings") on its part, except for (x) the Consents, Approvals and Filings required under the Securities Act, the Exchange Act and applicable state securities Laws and the Principal Trading Market, and (y) consents, authorizations and filings that have been (or on or prior to the Effective Date will have been) made or obtained and that are (or on the Effective Date will be) in full force and effect.

3 . 4 Capitalization. Company has registered its Common Stock pursuant to Section 12(b) of the Exchange Act. The Common Stock is currently quoted on the OTC Pink Marketplace (the "OTC Pink") maintained by the OTC Markets Group Inc. under the symbol "AMEH." Company has not received any oral or written notice that its Common Stock is not eligible or will become ineligible for quotation on the OTC Pink nor that its Common Stock does not meet all the requirements for the continuation of such quotation.

3 . 5 Investment Company Act. Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

ARTICLE IV **MISCELLANEOUS**

4 . 1 Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York (including Sections 5-1401 and 5-1402 of the New York General Obligations Law, but excluding all other choice of law and conflicts of law rules).

4 . 2 Full Force and Effect. Except as expressly provided herein, the Registration Rights Agreement and the other Transaction Documents shall continue in full force and effect in accordance with the provisions thereof on the date hereof. As used in the Registration Rights Agreement or any other Transaction Document, "hereinafter," "hereto," "hereof," and words of similar import shall, unless the context otherwise requires, mean the Registration Rights Agreement or such other applicable Transaction Document after giving effect to this Agreement. Any reference to the Registration Rights Agreement or any of the other Transaction Documents shall refer to the Registration Rights Agreement and the applicable Transaction Documents as amended hereby.

4 . 3 Severability. To the extent any provision of this Agreement is prohibited by or invalid under the applicable law of any jurisdiction, such provision shall be ineffective only to the extent of such prohibition or invalidity and only in any such jurisdiction, without prohibiting or invalidating such provision in any other jurisdiction or the remaining provisions of this Agreement in any jurisdiction.

4 . 4 Successors and Assigns. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto.

4 . 5 Construction. The headings of the various sections and subsections of this Agreement have been inserted for convenience only and shall not in any way affect the meaning or construction of any of the provisions hereof.

4 . 6 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective duly authorized officers as of the date first above written.

COMPANY:

APOLLO MEDICAL HOLDINGS, INC.

By: /s/ Warren Hosseinion
Name: Warren Hosseinion
Title: CEO

NNA:

NNA OF NEVADA, INC.

By: /s/ Mark Fawcett
Name: Mark Fawcett
Title: Senior VP & Treasurer

Subsidiaries of Apollo Medical Holdings, Inc.
(100% direct/indirect ownership unless indicated)

Name	Jurisdiction of Incorporation
Apollo Medical Management, Inc.	Delaware
Pulmonary Critical Care Management, Inc.	California
ApolloMed Accountable Care Organization, Inc.	California
Verdugo Medical Management, Inc.	California
Apollo Palliative Services, LLC	California
Apollo Care Connect, Inc.	Delaware
APA ACO, Inc.*	Delaware

* 50% ownership

Consent of Independent Registered Public Accounting Firm

Apollo Medical Holdings, Inc.
Glendale, California

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-153138) of Apollo Medical Holdings, Inc. of our report dated June 29, 2016, relating to the consolidated financial statements, which appears in this Form 10-K.

/s/ BDO USA, LLP
Los Angeles, California

June 29, 2016

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934

I, Warren Hosseinion, certify that:

1. I have reviewed this Annual Report on Form 10-K of Apollo Medical Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financing reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 29, 2016

/s/ WARREN HOSSEINION
Warren Hosseinion
Chief Executive Officer

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934

I, Warren Hosseinion, certify that:

1. I have reviewed this Annual Report on Form 10-K of Apollo Medical Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financing reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 29, 2016

/s/ WARREN HOSSEINION

Warren Hosseinion

Interim Chief Financial Officer

**Certification of Periodic Financial Report by the Chief Executive Officer and
Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Solely for the purposes of complying with 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, the undersigned Chief Executive Officer and Interim Chief Financial Officer of Apollo Medical Holdings, Inc. (the "Company"), hereby certify, based on my knowledge, that the Annual Report on Form 10-K of the Company for the year ended March 31, 2016 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 29, 2016

/s/ WARREN HOSSEINION

Warren Hosseinion

Chief Executive Officer

Date: June 29, 2016

/s/ WARREN HOSSEINION

Warren Hosseinion

Interim Chief Financial Officer
