

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

FORM 10-Q/A

Amendment No.1

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED **OCTOBER 31, 2011**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER: **000-25809**

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**APOLLO MEDICAL HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**20-8046599**  
(I.R.S. Employer  
Identification Number)

**450 N. Brand Blvd., Suite 600**  
**Glendale, California 91203**  
(Address of principal executive offices)

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

(Former Name or Former Address, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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  
 No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 the registrant was required to submit and post such files):  Yes  
 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

As of December 16, 2011, there were 29,335,774 shares of the registrant's common stock, \$0.001 par value per share, issued and outstanding.

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**APOLLO MEDICAL HOLDINGS, INC.**

FOR THE THREE AND NINE MONTHS ENDED OCTOBER 31, 2011 AND 2010

**EXPLANATORY NOTE**

Apollo Medical Holdings, Inc. is filing this Amendment No. 1 (this "Amendment") to its Quarterly Report on Form 10-Q for the three and nine months ended October 31, 2011 in response to comments received from the SEC.

This Amendment No. 1 speaks as of the filing date of the original Quarterly Report on Form 10-Q, except where otherwise expressly stated and except for the certifications, which speak as of their respective dates and the filing date of this Amendment No. 1. The information contained in this Amendment No. 1 has not been updated to reflect events occurring or trends arising after the original filing date of the original Quarterly Report on Form 10-Q.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, this Amendment republishes the amended items in their entirety.

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**PART I FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

APOLLO MEDICAL HOLDINGS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

	<u>October 31,</u> <u>2011</u>	<u>January 31,</u> <u>2011</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 249,653	\$ 397,101
Accounts receivable, net	885,161	704,971
Due from officers	-	24,873
Due from affiliate	4,725	3,900
Prepaid expenses	37,716	29,138
Prepaid financing cost, current	37,500	37,500
Total current assets	<u>1,214,755</u>	<u>1,197,483</u>
Prepaid financing cost, long term	10,937	39,063
Property and equipment – net	43,968	21,593
Intangible assets	597,500	-
Goodwill	50,000	-
<b>TOTAL ASSETS</b>	<u>\$ 1,917,160</u>	<u>\$ 1,258,139</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 114,837	\$ 92,745
Contingent consideration payable (see Note 18)	367,500	-
Due to officers	12,400	-
Total current liabilities	<u>494,737</u>	<u>92,745</u>
Convertible notes	1,399,191	1,248,588
Total liabilities	<u>1,893,928</u>	<u>1,341,333</u>
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Preferred stock, par value \$0.001; 5,000,000 shares authorized; none issued	-	-
Common Stock, par value \$0.001; 100,000,000 shares authorized, 29,335,774 and 27,635,774 shares issued and outstanding as on October 31, 2011 and January 31, 2011, respectively	29,336	27,636
Additional paid-in-capital	1,446,717	1,058,418
Accumulated deficit	<u>(1,690,922)</u>	<u>(1,397,363)</u>
Total	<u>(239,869)</u>	<u>(311,309)</u>
Non-controlling interest	238,101	228,115
Total stockholders' equity (deficit)	<u>23,232</u>	<u>(83,194)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<u>\$ 1,917,160</u>	<u>\$ 1,258,139</u>

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

APOLLO MEDICAL HOLDINGS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	For the Three Month Period ended October 31,		For the Nine Month Period ended October 31,	
	2011	2010	2011	2010
REVENUES	\$ 1,431,965	\$ 1,019,078	\$ 3,565,366	\$ 2,861,658
COST OF SERVICES	1,097,132	868,119	2,993,020	2,407,524
GROSS PROFIT	334,833	150,959	572,346	454,134
Operating expenses:				
General and administrative	204,690	152,013	706,312	427,720
Depreciation	3,941	2,330	9,814	8,330
Total operating expenses	208,631	154,343	716,126	436,050
PROFIT (LOSS) FROM OPERATIONS	126,202	(3,384)	(143,780)	18,084
OTHER INCOME (EXPENSE)				
Interest expense	(33,672)	(31,748)	(96,849)	(94,736)
Financing cost	(34,375)	(9,375)	(53,125)	(28,215)
Other income	49	4,292	2,595	4,389
Total other income (expense)	(67,998)	(36,831)	(147,379)	(118,472)
INCOME (LOSS) BEFORE INCOME TAXES	58,204	(40,215)	(291,159)	(100,388)
Provision for income tax	-	800	2,400	1,600
NET INCOME (LOSS)	<u>\$ 58,204</u>	<u>\$ (41,015)</u>	<u>\$ (293,559)</u>	<u>\$ (101,988)</u>
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING, BASIC AND DILUTED	<u>29,331,970</u>	<u>27,635,774</u>	<u>28,992,367</u>	<u>27,370,367</u>
*BASIC AND DILUTED NET LOSS PER SHARE	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>

\*Weighted average number of shares used to compute basic and diluted loss per share is the same since the effect of dilutive securities is anti-dilutive.

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

APOLLO MEDICAL HOLDINGS, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	For nine month periods ended October, 31	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (293,559)	\$ (101,988)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	9,814	8,330
Bad debt expense (recovery)	5,254	(76,231)
Issuance of shares for services	63,000	47,166
Non-cash stock option expense	21,999	-
Amortization of prepaid commission cost	28,125	28,125
Increase in warrant liability	25,000	-
Amortization of debt discount	603	604
Changes in assets and liabilities:		
Accounts receivable	(185,444)	(109,361)
Due from / to officers	14,953	14,867
Due from affiliate	(825)	(1,050)
Prepaid expenses	(13,244)	(16,070)
Accounts payable and accrued liabilities	22,092	45,866
Net cash used in operating activities	(302,232)	(159,742)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property and equipment	(5,136)	(4,568)
Acquisition, net of cash acquired	164,210	-
Net cash used in investing	159,074	(4,568)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from shares issued	-	211
Distribution to non-controlling interest shareholder	(154,290)	-
Proceeds from issuance of convertible notes payable	150,000	-
Net cash (used) provided by financing activities	(4,290)	211
NET DECREASE IN CASH & CASH EQUIVALENTS	(147,448)	(164,098)
CASH & CASH EQUIVALENTS, BEGINNING BALANCE	397,101	665,737
CASH & CASH EQUIVALENTS, ENDING BALANCE	\$ 249,653	\$ 501,639
<b>SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 63,599	\$ 62,586
Taxes paid	\$ -	\$ 1,600
<b>NONCASH FINANCING ACTIVITIES</b>		
Common stock issued for acquisitions (see Note 18)	\$ 280,000	\$ -
Contingent consideration payable (see Note 18)	\$ 367,500	\$ -

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

APOLLO MEDICAL HOLDINGS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

**1. DESCRIPTION OF BUSINESS**

Apollo Medical Holdings, Inc. ("Apollo" or the "Company") is a leading provider of hospitalist services in the Greater Los Angeles, California area. Hospitalist medicine is organized around the admission and care of patients in an inpatient facility such as a hospital or skilled nursing facility and is focused on providing, managing and coordinating the care of hospitalized patients. Apollo Medical Holdings, Inc. operates as a medical management holding company that focuses on managing the provision of hospital-based medicine through a wholly owned subsidiary-management company, Apollo Medical Management, Inc. ("AMM"). Through AMM, the Company manages affiliated medical groups, which primarily consists of ApolloMed Hospitalists ("AMH"). AMM operates as a Physician Practice Management Company (PPM) and is in the business of providing management services to Physician Practice Companies (PPC) under Management Service Agreements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Principles**

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in management's opinion, are necessary for fair presentation of the information contained herein. These financial statements should be read in conjunction with the Company's financial statements and notes thereto included in the Company's audited financial statements on Form 10-K for the fiscal year ended January 31, 2011 as filed with the Securities and Exchange Commission ("SEC") on May 16, 2011.

**Principles of Consolidation**

Our consolidated financial statements include the accounts of our wholly-owned subsidiaries, and a professional medical corporation for which we have determined that we have a controlling financial interest through a long-term management agreement. Some states have laws that prohibit business entities 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, and in accordance with these laws, we operate by maintaining a long-term management contract with a professional medical corporation, which is owned and operated by physicians, and which employ or contract with additional physicians to provide hospitalist services. Under this management agreement, we have exclusive authority over all non-medical management and administrative services, including financial management, information systems, marketing, risk management and administrative support. The management agreement has an initial term of 20 years.

All intercompany balances and transactions are eliminated in consolidation.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**Reclassification**

Certain comparative amounts have been reclassified to conform to the three month periods ended October 31, 2011 and 2010.

**Recently Adopted Accounting Pronouncements**

In December 2010, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2010-29, *Business Combinations, Disclosure of Supplementary Pro Forma Information for Business Combinations* ("ASU 2010-29"), which provides clarification regarding pro forma revenue and earnings disclosure requirements for business combinations. The amendments in this ASU specify that if a public entity presents comparative financial statements, the entity should disclose only revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. The Company adopted ASU 2010-29 during the first interim reporting period of 2011 as it relates to pro-forma disclosure of the Company's acquisitions. The adoption of ASU 2010-29 did not have a material impact on the Company's consolidated financial statements.

ASU No. 2010-28, *Intangibles — Goodwill and Other, When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* (“ASU 2010-28”) was issued in December 2010. The amendments in this ASU modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any events or circumstances that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. Early adoption is not permitted. The Company adopted ASU 2010-28 for the quarter ending March 31, 2011.

#### **Recently Issued Accounting Pronouncements**

In September 2011, the FASB issued a GAAP update on goodwill to allow an entity the option of performing a qualitative assessment before calculating the fair value of the reporting unit when testing goodwill for impairment. If the qualitative assessment concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying value, the entity shall perform the quantitative two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. This revised GAAP will be effective for fiscal years beginning after December 15, 2011, with early adoption permitted. We do not expect the adoption of this revised GAAP to have a material effect on our financial position, results of operations or cash flows.

In May 2011, the FASB issued a GAAP update on fair value measurement, which eliminates differences between U.S. GAAP and International Financial Reporting Standards (IFRS), resulting in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between GAAP and IFRS. It also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This revised GAAP will be effective for annual and interim periods beginning after December 15, 2011. We do not expect the adoption of this revised GAAP to have a material effect on our financial position, results of operations or cash flows.

### **3. UNCERTAINTY OF ABILITY TO CONTINUE AS A GOING CONCERN**

The Company's financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has incurred operating losses and has an accumulated deficit of \$1,690,922 as of October 31, 2011. In addition, the Company has a total stockholders' equity of \$23,232 and generated a negative net cash flow operating activities for the nine months ended October 31, 2011 of \$302,232.

The financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

To date the Company has funded its operations from both internally generated cash flow and external sources, and the proceeds available from the private placement of convertible notes which have provided funds for near-term operations and growth. The Company will pursue additional external capitalization opportunities, as necessary, to fund its long-term goals and objectives. Management has continued to take action to strengthen the Company's working capital position which will allow the Company to generate sufficient cash to meet its operating needs through January 31, 2012 and beyond. The Company has implemented a cost savings initiative to reduce operating expenses and is currently exploring alternative sources of equity and debt financing. We may seek to raise such capital through public or private equity financings, partnerships, joint ventures, disposition of assets, debt financings, bank borrowings or other sources of financing. In addition, the losses the Company has generated to date in 2011, are primarily the result of additional costs incurred in connection with our acquisition of Aligned Healthcare, Inc. and physician costs added in anticipation of new revenue generated through new hospitalist and care management contracts.

No assurances can be made that management will be successful in achieving its plan. If the Company is not able to raise substantial additional capital in a timely manner, the Company may be forced to cease operations.

### **4. ACCOUNTS RECEIVABLE**

Accounts receivable primarily consists of amounts due from third-party payors, including government sponsored Medicare and Medicaid programs, and 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. Reserves are recorded primarily on a specific identification basis. Accounts Receivable totals \$885,161, net of a provision for bad debt expense of \$20,000, and represents amounts invoiced by the Company. Accounts Receivable was \$704,971, net of the provision for bad debt expense of \$34,746, on January 31, 2011.

## 5. DUE FROM / TO OFFICERS

Due from officers totaled \$0 and \$24,873 as of October 31, 2011 and January 31, 2011, respectively, and represent amounts due the Company from two officers. The outstanding balances were expensed during the quarter. These balances were non interest bearing and due on demand.

Due to officers totaled \$12,400 and \$0 as of October 31, 2011 and January 31, 2011, respectively, amounts due are in connection with acquisition of PCCM. This balance is non interest bearing and due on demand.

## 6. DUE FROM AFFILIATE

Due from Apollo Medical Associates (“AMA”) was \$4,725 and \$3,900 as of October 31, 2011 and January 31, 2011, respectively, and represents amounts due from AMA. These balances are due on demand, non-interest bearing and are unsecured. AMA is an unconsolidated affiliate of the Company and currently has no operations and is inactive. No management agreement currently exists between AMM and AMA.

## 7. PREPAID EXPENSES

Prepaid Expenses of \$37,716 and \$29,138 as of October 31, 2011 and January 31, 2011, respectively, are amounts prepaid for medical malpractice insurance, Director’s and Officer’s insurance and income taxes.

## 8. PREPAID FINANCING COST

Unamortized financing cost of \$48,437 on October 31, 2011 and \$76,563 as of January 31, 2011 represents the financing cost associated with 10% Senior Subordinated Callable Convertible Notes due January 31, 2013 and paid by the Company on the closing of the placement on October 16, 2009 (see Note 11).

## 9. PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following:

	October 31, 2011	January 31, 2011
Website	\$ 4,568	\$ 4,568
Computers	13,912	13,912
Software	157,468	155,039
Machinery and equipment	65,271	50,815
Furniture and fixtures	7,053	-
Leasehold improvements	8,198	-
Gross Property and Equipment	256,470	224,334
Less accumulated depreciation	(212,502)	(202,741)
Net Property and Equipment	<u>\$ 43,968</u>	<u>\$ 21,593</u>

Depreciation expense was \$3,941 and \$2,330 for the three month periods ended October 31, 2011 and 2010, respectively. Depreciation expense was \$9,814 and \$8,330 for the nine month periods ended October 31, 2011 and 2010, respectively.

## 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following:

	October 31, 2011	January 31, 2011
Accounts payable	\$ 23,621	\$ 35,815
D&O insurance payable	19,890	10,913
Accrued professional fees	37,964	5,483
Accrued Interest	33,250	-
Accrued payroll and income taxes	112	40,534
Total	<u>\$ 114,837</u>	<u>\$ 92,745</u>



## 11. LONG-TERM DEBT

The Company's long-term debt consisted of the following:

	October 31, 2011	January 31, 2011
<b>Subordinated Borrowings:</b>		
10% Senior Subordinated Convertible Notes due January 31, 2013	\$ 1,249,191	\$ 1,248,588
8% Senior Subordinated Convertible Notes due February 1, 2015	150,000	
Total long-term debt	1,399,191	1,248,588
Less: Current Portion		
Total	<u>\$ 1,399,191</u>	<u>\$ 1,248,588</u>

### Subordinated Borrowings

#### *10% Senior Subordinated Callable Convertible Notes due January 31, 2013*

On October 16, 2009, the Company issued \$1,250,000 of its 10% Senior Subordinated Callable Convertible Notes. The net proceeds of \$1,100,000 will be used for the repayment of existing debt, acquisitions, physician recruitment and other general corporate purposes. The notes bear interest at a rate of 10% annually, payable semi annually on January 31 and July 31. The Notes mature and become due and payable on January 31, 2013 and rank senior to all other unsecured debt of the Company.

The 10% Notes were sold through an Agent in the form of a Unit. Each Unit was comprised of one 10% Senior Subordinated Callable Note with a par value \$25,000, and one five-year warrant to purchase 25,000 shares of the Company's common stock. The purchase price of each Unit was \$25,000, resulting in gross proceeds of \$1,250,000.

In connection with the placement of the subordinated notes, the Company paid a commission of \$125,000 and \$25,000 of other direct expenses. The agent also received five-year warrants to purchase up to 250,000 shares of the Common Stock at an initial exercise price of \$0.25 per share adjustable pursuant to changes in public value of our shares and cash flow of the Company from July 31, 2011 until the note is paid in full. The agent also received 100,000 shares of restricted common stock for pre-transaction advisory services and due diligence. A commission of \$125,000 paid at closing, is accounted for as prepaid expense and will be amortized over a forty-month period through January 31, 2013, the maturity date of the notes. The \$25,000 of other direct expenses were paid at closing and reported as financing costs in the Operating Statement. In addition, financing costs included \$4,000 related to the value of the 100,000 shares granted to the placement agent. Interest expense of \$36,458 was recorded in the year ended January 31, 2010.

The 10% Notes are convertible any time prior to January 31, 2013. The initial conversion rate is 200,000 shares of the Company's common stock per \$25,000 principal amount of the 10% Notes adjustable pursuant to changes in public value of our shares and cash flow of the Company. This represents an initial conversion price of \$0.125 per share of the Company's common stock. The note is fixed from August 1, 2009 through July 31, 2011. After July 31, 2011, the conversion price will equal to the lesser of \$0.125 per share or the average of the monthly high stock price and low stock price as reported by Bloomberg multiplied by 110%. The minimum conversion price is the greater of \$0.05 per share or 8 times cash EPS.

On or after January 31, 2012, the Company may, at its option, upon 60 days notice to both the Note-holder's and the placement agent, redeem all or a portion of the notes at a redemption price in cash equal to 102% of the principal amount of the notes to be redeemed plus accrued and unpaid interest to, but excluding, the redemption date.

The Warrants attached to the Units are exercisable into shares of Common Stock at an initial exercise price of \$0.125. The Warrants have a five-year term and expire on October 31, 2014. The Company's calculations were made using the Black-Scholes option-pricing model with the following assumptions: expected life of 5 years; 48.0% stock price volatility; risk-free interest rate of 2.16% and no dividends during the expected term. These warrants were estimated to have a fair value of \$2,653 using the Black-Scholes pricing model which was recorded as unamortized warrant discount on the grant date and \$2,418 as of January 31, 2010.

In connection with this offering, the Company also issued warrants to purchase 250,000 shares of our common stock to the placement agent at an exercise price of \$0.25 per share, and are exercisable immediately upon issuance and expire five years after the date of issuance. The Company's calculations were made using the Black-Scholes option-pricing model with the following assumptions: expected life of 5 years; 48.0% stock price volatility; risk-free interest rate of 2.16% and no dividends during the expected term. These warrants were estimated to have a fair value of \$2,200, which was recorded as unamortized warrant discount on the grant date. The exercise price of the warrants are adjustable according to the same terms as the 10% Notes.

#### *8% Convertible Notes due December 25, 2009*

On July 28, 2008, the Company issued \$70,000 in the form of a note payable to a relative of the CEO of the Company. The Note carried no interest rate and the Company agreed to pay a \$5,000 origination fee to be paid at the time of pay off. The maturity date on this Note was October 1, 2008. The note was extended by verbal agreement on its expiration date with no change in terms. On January 24, 2009, the Company formalized the note extension with the note holder. Under the terms of the new note, the \$5,000 origination fee was added to the note, the due date was extended to March 31, 2011, the interest rate was set at eight 8% and the note is initially convertible into 214,285 shares of common stock. The Company paid the note in full, with accumulated interest, on October 22, 2009. The Company recorded interest expense of \$4,323 and \$99 for the twelve months ended January 31, 2010 and January 31, 2009, respectively.

#### *10% Convertible Notes due between October 7, 2009 and December 12, 2009*

Between October 7, 2008 and December 12, 2008 the Company issued \$210,000 of its 10% Convertible Notes with attached Warrants. The notes bear interest at a rate of 10% annually, mature and become due twelve months from the date of issuance ranging from October 7, 2009 and December 12, 2009. The conversion rate is 1,333.333 shares of the Company's common stock per \$1,000 principal amount of the Notes. As of January 31, 2009, the Company received notices to convert \$200,000 of notes into shares of the Company's common stock. The remaining balance of \$10,000 was paid in full, with interest, on December 28, 2009.

Each Note Holder also received 666.67 Warrants per \$1,000 principal amount of the Notes purchased. These Warrants are exercisable into shares of Common Stock at an exercise price of \$1.50. The Warrants have a three-year term and expire on the third year anniversary of the respective notes. The Company recorded value of warrants using the Black Scholes pricing model using the following assumptions: Stock price \$0.27, Expected life of 3 years, Risk free bond rate of 1.05% to 2.00% and volatility of 44% to 61%. Based on the assumptions used the Company recorded the fair value of warrants amounting to \$379 which was fully amortized as interest expense during year ended January 31, 2009.

Interest expense was \$33,672 and \$31,748 for the three month periods ended October 31, 2011 and 2010, respectively. Interest expense was \$96,849 and \$94,736 for the nine month periods ended October 31, 2011 and 2010, respectively.

## 12. RELATED PARTY TRANSACTIONS

During the nine months ended October 31, 2011, the Company issued 350,000 shares valued at \$63,000 to the Chief Financial Officer for consulting service.

## 13. NON-CONTROLLING INTEREST

Activity within non-controlling interest for the nine-months ended October 31, 2011 consisted of the following:

Beginning balance as of January 31, 2011	\$ 228,115
Acquisition-related non-controlling interest	164,276
Distributions to non-controlling interest shareholder	(154,290)
Ending balance as of October 31, 2011	<u>\$ 238,101</u>

## 14. INCOME TAXES

Our effective tax rates were approximately 0.8% and 1.6% for the nine months ended October 31, 2011 and 2010, respectively. Our effective tax rate was lower than the U.S. federal statutory rate due to the fact that the Company records a full valuation allowance on deferred tax assets, which are primarily generated as a result of net operating losses incurred.

## 15. STOCKHOLDER'S EQUITY

In the quarter ended April 30, 2011, the Company issued 1,350,000 common shares, bringing the total outstanding shares to 28,985,774. A total of 350,000 shares were issued to Kanehoe Advisors and 1,000,000 shares were issued in connection with the acquisition of Aligned Healthcare Group, Inc. (see Note 18). The 1,350,000 shares were valued at \$273,000 based on the fair value of shares at issuance date.

On Aug 2, 2011, Apollo Medical Holdings, Inc. ("Apollo") acquired Pulmonary Critical Care Management, Inc. ("PCCM"), a provider of management services to the Los Angeles Lung Center, as well as the formation of its new Division of Pulmonary and Critical Care Medicine. In exchange for a 100% ownership interest in PCCM, Apollo issued 350,000 common shares to the shareholders of PCCM. The 350,000 shares were valued at \$70,000 based on the fair value of shares at issuance date.

### Warrants outstanding

No warrants were issued by the Company during the nine-months ended October 31, 2011.

	Aggregate intrinsic value	Number of warrants
Outstanding at January 31, 2011	\$ -	1,655,333
Granted	-	-
Exercised	-	-
Cancelled	-	(113,333)
Outstanding at October 31, 2011	<u>\$ -</u>	<u>1,542,000</u>

Exercise Price	Warrants outstanding	Weighted average remaining contractual life	Warrants Exercisable	Weighted Weighted average exercise price
\$ 1.500	42,000	0.03	42,000	\$ 1.50
\$ 0.125	1,250,000	3.00	1,250,000	\$ 0.125
\$ 0.125	250,000	3.00	250,000	\$ 0.125

## Options outstanding

Stock option transactions under the Company's stock option plans for the nine-months ended October 31, 2011 are summarized below:

	Shares	Weighted Average Per Share Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance, January 31, 2011	1,150,000	\$ 0.15		-
Granted	-	-		
Exercised	-	-		
Expired	-	-		
Forfeited	-	-		
Balance, October 31, 2011	1,150,000	\$ 0.15	9.1 years	\$ 12,833
Exercisable, October 31, 2011	666,616	\$ 0.15	9.1 years	\$ 12,833

The Company did not issue any stock options during the nine-months ended October 31, 2011 and 2010, respectively.

## 16. COMMITMENTS AND CONTINGENCY

On March 15, 2009, the Company entered into a Consulting Agreement with Kaneohe Advisors LLC (Kyle Francis) under which Mr. Francis became the Company's Executive Vice President, Business Development and Strategy. Under the terms of the Agreement, Mr. Francis is compensated at a rate of \$8,000 per month. In addition, Mr. Francis received 350,000 shares of restricted stock at the date of the Agreement and is entitled to 350,000 additional restricted shares on the first and second anniversaries of the Agreement, provided the Agreement is not terminated. The initial 350,000 shares, along with 50,000 shares granted to Mr. Francis in the year ended January 2009, were issued in the third quarter ended October 31, 2009. On March 15, 2011, the second anniversary of the Consulting Agreement, Mr. Francis was granted an additional 350,000 shares. Mr. Francis was named Chief Financial Officer on December 31, 2010. Mr. Francis compensation was increased to \$11,000 per month.

On October 27, 2008, the Company entered into a Board of Director's Agreement with Suresh Nihalani. The Company will issue a stock award of 400,000 shares to Mr. Nihalani, under the terms of the Director's Agreement, which shares will be issued ratably over a thirty-six month period commencing December 2008. The shares will be released to Mr. Nihalani on a monthly basis during his tenure as a Director. The distribution of shares will continue as long as Mr. Nihalani serves on the Board, but will cease when Mr. Nihalani is no longer a Director. Mr. Nihalani was issued 11,111 shares under this agreement in the year ended January 31, 2009 and an additional 144,443 shares in the year ended January 31, 2010.

## 17. Concentration

The Company's case rate and capitation revenues, reported by Apollo's affiliate, AMH, are governed by contractual agreements with medical groups/IPA's and hospitals. As a result, receivables from this business are generally fully collected. The Company does face issues related to the timing of these collections, and the Company must assess the level of earned but uncollected revenue to which it is entitled at each period end. The Company does face collection issues with regard to its fee-for-service revenues. One is the estimation of the amount to be received from each billing since the Company invoices on a Medicare schedule and each of many providers remits payment on a reduced schedule. The Company has to estimate the amount it will ultimately receive from each billing and properly record revenue. The Company's three largest contracts accounted for 30.2%, 10.3%, 6.1%, respectfully in the three months ended October 31, 2011.

## 18. ACQUISITIONS

### Aligned Healthcare Group

On February 15, 2011, Apollo Medical Holdings, Inc. (the "Company") entered into a Stock Purchase Agreement (the "Purchase Agreement") with Aligned Healthcare Group - California, Inc., Raouf Khalil, Jamie McReynolds, M.D. BJ Reese and BJ Reese & Associates, LLC, under which the Company acquired all of the issued and outstanding shares of capital stock and associated Intellectual property and related intangibles (the "Acquisition") of Aligned Healthcare, Inc., a California corporation ("AHI"), from AHI's shareholders. Upon the signing of the Purchase Agreement, 1,000,000 shares of the Company's common stock became issuable (the "Initial Shares") and are included in the number of shares outstanding. In addition, if the gross revenues of AHI and an affiliated entity (the "Aligned Division") exceed \$1,000,000 on or before February 1, 2012, then the Company will be obligated to issue an additional 1,000,000 shares of common stock (the "Contingent Shares"). Moreover, the Company will be obligated to issue up to an additional 3,500,000 shares of common stock (the "Earn-Out Shares" and, collectively with the Initial Shares and the Contingent Shares, the "Shares") over a three year period following closing based on the EBITDA generated by the Aligned Division during that time. Under the agreement, ApolloMed will issue twelve shares of its Common stock for each dollar of Actual EBITDA earned in the first 12-month period. In subsequent periods, ApolloMed will issue twelve shares of its common stock for each dollar of Actual EBITDA in excess of the maximum EBITDA earned in either the first 12-month period or first 12-month period and second 12 month period.

If, prior to February 15, 2012, AHI has not entered into an agreement for the provision of certain services to a hospital or certain other health organizations that has a term of at least one year and provides aggregate net revenues to AHI of at least \$1,000,000, the Company will have the right to repurchase all of the Initial Shares for \$0.05 per share, at which time the Company's obligation to issue any further Shares would terminate.

Based on our internal estimate of contingent shares to be issued as part of this agreement, we estimated that the total fair value of the common stock shares issued and contingently issuable for this transaction on the acquisition date was \$577,500.

The Company has recognized a liability based on the acquisition date fair value of the acquisition-related contingent consideration based on the probability of the achievement of the targets. Based on the Company's estimation, an initial liability of \$367,500 (1,750,000 shares) was recorded. Changes in the fair value of the acquisition-related contingent consideration during the measurement period, including changes from events after the acquisition date, such as changes in the Company's estimate of the revenue and net income expected to be achieved and changes in their stock price, are being recognized as an adjustment to the purchase price in the period in which the estimated fair value changes. The accompanying consolidated financial statements include the financial results of these companies from the date of acquisition.

The estimated fair values of net assets acquired and presented below are preliminary and are based on the information that was available as of the acquisition date and prior to the filing of this Quarterly Report on Form 10-Q. The Company believes that the information provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed; however, the Company is awaiting the finalization of certain third-party valuations to finalize those fair values. Thus, the preliminary measurements of fair value set forth below are subject to change. The Company expects to finalize the valuation and complete the purchase price allocations as soon as practicable, but no later than one year from the respective acquisition date.

The following table summarizes the preliminary determination of the purchase price and fair value of AHI's assets acquired and liabilities assumed at the date of acquisition:

<b>Purchase price calculation:</b>	
Common stock issued (1,000,000 shares)	\$ 210,000
Contingent consideration (1,750,000 shares of common stock)	<u>367,500</u>
Fair value of total consideration	577,500
<b>Allocation of purchase price:</b>	
Intellectual property and technical know-how	\$ 577,500

On July 8, 2011, the Company entered into a First Amendment to Stock Purchase Agreement (the "AHI Amendment") with Aligned Healthcare Group, LLC ("Aligned LLC"), Aligned Healthcare Group – California, Inc. ("Aligned Corp."), Raouf Khalil, Jamie McReynolds, M.D. BJ Reese and BJ Reese & Associates, LLC, which amends in certain respects the AHI Purchase Agreement. The AHI Amendment provides, among other things, that Aligned LLC and Aligned Corp. may enter into contracts with a specified health insurance provider for the provision of services related to patient care management or the management, administration and operation of 24-hour physician and nursing call centers and post-discharge management (the "Call Center Business") solely within the State of California, and that the Company and its subsidiaries have the exclusive right, as between the Company and Aligned LLC and Aligned Corp., to enter into other contracts for the provision of services related to the Call Center Business.

In connection with the AHI Amendment, the Company's wholly owned subsidiary, AHI, entered into a Services Agreement, dated as of July 8, 2011 (the "AHI Services Agreement"), with Aligned LLC and Aligned Corp., under which Aligned LLC and Aligned Corp. have agreed that if either entity enters into one or more contracts with a specified health insurance provider relating to the provision of services for the Call Center Business solely within the State of California, then Aligned LLC and Aligned Corp. would remit all revenues, less allowable costs incurred in connection with the provision of such services, to AHI.

#### **Pulmonary Critical Care Management, Inc**

On August 2, 2011, Apollo Medical Holdings, Inc. entered into a stock purchase agreement (the "PCCM Purchase Agreement") with the sole shareholder of Pulmonary Critical Care Management, Inc. ("PCCM"), a provider of management services to the Los Angeles Lung Center ("LALC"), under which the Company acquired (the "PCCM Acquisition") all of the issued and outstanding shares of capital stock of PCCM and the associated intangible asset in the management services agreement that PCCM has with LALC (the "PCCM Services Agreement"). Upon the signing of the PCCM Purchase Agreement, the Company issued 350,000 common shares to the sole shareholder of PCCM, which was valued as of the date of issuance at \$70,000, based on the fair market value of our shares.

At the time of the acquisition, the assets of PCCM consisted only of the PCCM Services Agreement with LALC. Through this PCCM Services Agreement, our wholly-owned subsidiary, PCCM, has exclusive authority over all non-medical decision-making related to the ongoing business operations of LALC. Based on the provisions of the PCCM Purchase Agreement, we have determined that LALC is a variable interest entity (VIE), and that we are the primary beneficiary because we have control over the operations of the VIE. Consequently, we consolidated the accounts of LALC beginning on the PCCM Acquisition date. As a result of this consolidation, we recorded additional non-controlling interest of \$164,276.

The estimated fair values of net assets acquired and presented below are preliminary and are based on the information that was available as of the acquisition date and prior to the filing of this Quarterly Report on Form 10-Q. The Company believes that the information provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed; however, the Company is awaiting the finalization of certain third-party valuations to finalize those fair values. Thus, the preliminary measurements of fair value set forth below are subject to change. The Company expects to finalize the valuation and complete the purchase price allocations as soon as practicable, but no later than one year from the respective acquisition date.

The following table summarizes the preliminary determination of the purchase price and fair value of PCCM's assets acquired and liabilities assumed at the date of acquisition:

Allocation of purchase price	
Management services agreement	\$ 20,000
Goodwill	50,000
Total	<u>\$ 70,000</u>

The following table summarizes the preliminary determination of the fair value of LALC's assets acquired and liabilities at the date of acquisition of PCCM and consolidation of LALC:

Allocation of net assets consolidated:	
Cash	\$ 164,210
Prepaid expenses	9,472
Property and equipment	26,041
Accounts payable and accrued liabilities	(1,447)
Due from officer	(34,000)
Non-controlling interest	<u>\$ 164,276</u>

Proforma financial information is not presented as PCCM did not exist in the comparative period herein presented.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following management's discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in this Quarterly Report. In addition, reference is made to our audited consolidated financial statements and notes thereto and related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our most recent Annual Report on Form 10-K for the year ended January 31, 2011, filed with the Securities and Exchange Commission (SEC) on May 16, 2011.*

*In this Quarterly Report, unless otherwise expressly stated or the context otherwise requires, "Apollo," "we," "us" and "our" refer to Apollo Medical Holdings, Inc., a Delaware corporation, and its wholly-owned subsidiary-management company, Apollo Medical management, Inc., and affiliated medical groups. Our affiliated professional organizations are separate legal entities that provide physician services in California and with which we have management agreements. For financial reporting purposes 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 accompanying financial statements. Also, unless otherwise expressly stated or the context otherwise requires, "our affiliated hospitalists" refer to physicians employed or contracted by either our wholly-owned subsidiaries or our affiliated professional organizations. References to "practices" or "practice groups" refer to our subsidiary-management company and the affiliated professional organizations of Apollo that provide medical services, unless otherwise expressly stated or the context otherwise requires.*

*The following discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding future events and the future results of Apollo that are based on management's current expectations, estimates, projections, and assumptions about our business. Words such as "may," "will," "could," "should," "target," "potential," "project," "expects," "anticipates," "intends," "plans," "believes," "sees," "estimates" and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous factors, including, but not limited to, those discussed in our most recent Annual Report on Form 10-K, including the section entitled "Risk Factors", as well as those discussed from time to time in the Company's other SEC filings and reports. In addition, such statements could be affected by general industry and market conditions. Such forward-looking statements speak only as of the date of this Quarterly Report or, in the case of any document incorporated by reference, the date of that document, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this Report, or for changes made to this document by wire services or Internet service providers. If we update or correct one or more forward-looking statements, investors and others should not conclude that we will make additional updates or corrections with respect to other forward-looking statements.*

### Overview

Apollo is a leading provider of integrated medical management services that improves the efficiency in inpatient care plus multi-disciplinary care management services targeting inefficiencies in healthcare payer and provider networks. Our integrated model combines hospitalist medicine, critical care medicine, 24-hour physician call centers, case management and transition management that offers to help healthcare organizations engage in performance payments for utilization efficiency, quality of care objectives and shared accountability arrangements. The company intends to capitalize on the growing market for hospital-based physicians and care management services. Apollo and its affiliated medical groups have proven expertise in providing excellent and efficient care to hospitalized patients.

### Acquisitions

During the nine months ended October 31, 2011, we entered into a stock purchase agreement with Aligned Healthcare Group. Upon the signing of the Purchase Agreement, 1,000,000 shares of the Company's common stock became issuable (the "Initial Shares") and are included in the number of shares outstanding. In addition, if the gross revenues of Aligned Healthcare, Inc. and an affiliated entity (the "Aligned Division") exceed \$1,000,000 on or before February 1, 2012, then the Company will be obligated to issue an additional 1,000,000 shares of common stock (the "Contingent Shares"). Moreover, the Company will be obligated to issue up to an additional 3,500,000 shares of common stock (the "Earn-Out Shares" and, collectively with the Initial Shares and the Contingent Shares, the "Shares") over a three year period following closing based on the EBITDA generated by the Aligned Division during that time.

In connection with this acquisition, the Company recorded intellectual property and technical know-how of \$577,500. Total transaction costs of \$64,408 were expensed as incurred during the nine months ended October 31, 2011.

On Aug 2, 2011, we acquired a 100% ownership in Pulmonary Critical Care Management, Inc. ("PCCM"), a provider of management services to the Los Angeles Lung Center. In exchange for our ownership interest in PCCM, Apollo issued 350,000 common shares to the sole shareholder of PCCM, which was valued as of the date of issuance at \$70,000, based on the fair market value of our shares.

At the time of the acquisition, the assets of PCCM consisted only of a management services agreement with Los Angeles Lung Center (“LALC”). Through this management services agreement, we have exclusive authority over all non-medical decision-making related to the ongoing business operations of the PCCM. Based on the provisions of the agreement, we have determined that PCCM is a variable interest entity (VIE), and that we are the primary beneficiary because we have control over the operations of the VIE. Consequently, we consolidated the accounts of LALC beginning on the date of acquisition.

As no assets or liabilities were acquired in this transaction, other than the management services agreement, the entire purchase price has been recorded as intangible asset of \$20,000 and goodwill in the amount of \$50,000.

## **Results of Operations and Operating Data**

### **Three Months Ended October 31, 2011 vs. Three Months Ended October 31, 2010**

Net revenues for the three months ended October 31, 2011 of \$1,431,965 increased \$412,887, or 41%, over net revenues of \$1,019,078 reported for the three months ended October 31, 2010. Net revenues are comprised of net billings by the Company under the various fee structures from health plans, medical groups/IPA’s and hospitals, and income from service fee agreements. The increase was attributable to the acquisition of PCCM, new hospital contracts started in quarter, and expansion of services with new medical groups at existing hospitals.

Physician practice salaries, benefits and other expenses for the three months ended October 31, 2011 were \$1,097,132, at 77% of net revenues compared to \$868,119 for the three months ended October 31, 2010, at 85% of net revenues. Cost of services includes the payroll and consulting costs of the physicians, all payroll related costs, costs for all medical malpractice insurance and physician privileges. Total physician compensation increased to \$828,134 for the three months ended October 31, 2011, up 20.5% compared to \$687,352 for the three month period ended October 31, 2010. The increase in physician costs are primarily related to new contracts started in the period and the acquisition of PCCM. Physician practice salaries, benefits and other expenses for LALC were \$59,217 for the three months ended October 31, 2011.

General and administrative expenses include all salaries, benefits, supplies and operating expenses, not specifically related to the day-to-day operations of our physician group practices, including billing and collections functions, and our corporate management and overhead. General and administrative expenses were \$204,690, at 14% of net revenues, for the three months ended October 31, 2011 compared to general and administrative expenses of \$152,013 for the three months ended October 31, 2010, at 15% of net revenues. The increase in expense is primarily the result of increased costs to support the continuing growth of our current operations and expansion in new service offerings and acquisitions. During the three months ended October 31, 2011, the Company incurred non-cash stock option compensation expenses of \$7,333, related to stock option grants previously issued, an increase of \$7,333 from the same period in the prior year. During the three months ended October 31, 2011, the Company incurred bad debt expense of \$5,254, an increase of \$5,254 from the same period in the prior year. The remainder of the increase is attributable to increased costs associated with the acquisitions of AHI and PCCM in the quarter.

Depreciation and amortization expense was \$3,941 for the three months ended October 31, 2011, and \$2,303 for the comparable three-month period in 2010.

The Company reported income from operations of \$126,202 for the three months ended October 31, 2011, compared to a loss from operations of \$3,384 recorded in the same period of 2010. Increase in reported income from operations is primarily attributable to acquisition of PCCM, benefit from new hospital contracts and reduction of start-up losses in the quarter associated with the acquisition of AHI.

Interest expense and amortization of financing costs totaled \$67,947 for the three months ended October 31, 2011, compared to interest and financing costs of \$41,123 for the three months ended October 31, 2010. Interest expense and financing costs in 2011 includes interest on the subordinated borrowings of \$33,250, and the amortization of financing costs of \$9,375, related to the subordinated notes and a \$25,000 charge related to an exercise price adjustment on warrants originally issued to a placement agent in connection with the Company’s convertible notes payable issuance in October 2009. Interest expense for the three months ended October 31, 2010 of \$31,748 interest expense paid on the subordinated borrowings of \$31,250, and the amortization of financing costs of \$9,375, related to subordinated notes.

Net income was \$58,204 for the three months ended October 31, 2011, compared to a net loss of \$41,015 for the three months ended October 31, 2010. The increase in net income for the three months ended October 31, 2011 is primarily related to acquisition of PCCM, benefit from of new hospital contracts and reduction of start-up losses associated with the acquisition of AHI in the quarter.

### **Nine Months Ended October 31, 2011 vs. Nine Months Ended October 31, 2010**

Net revenues for the nine months ended October 31, 2011 of \$3,565,366 increased \$703,708, or 25%, higher than net revenues of \$2,861,658 reported for the nine months ended October 31, 2010. Net revenues are comprised of net billings by the Company under the various fee structures from health plans, medical groups/IPA’s and hospitals, and income from service fee agreements. The increase was attributable to the acquisition of PCCM, new hospital contracts started in the period, and expansion of services with new and existing medical groups.

Physician practice salaries, benefits and other expenses for the nine months ended October 31, 2011 were \$2,993,020, at 84% of net revenues, compared to \$2,407,524, at 84% of net revenues, for the nine months ended October 31, 2010. Cost of services includes the payroll and consulting costs of the physicians, all payroll related costs, costs for all medical malpractice insurance and physician privileges. Total physician compensation increased to \$2,270,654 for the nine months ended October 31, 2011, up 34.3% compared to \$1,690,372 for the nine month period ended October 31, 2010. The increases in physician costs are directly related to new contracts started in the period and the acquisition of PCCM.

General and administrative expenses include all salaries, benefits, supplies and operating expenses, not specifically related to the day-to-day operations of our physician group practices, including billing and collections functions, and our corporate management and overhead. General and administrative expenses were \$706,312, at 20% of net revenues, for the nine months ended October 31, 2011, an increase of \$278,592, compared to general and administrative expenses of \$427,720 for the nine months ended October 31, 2010, at 15% of net revenues. The increase in general and administrative expenses for the nine months ended October 2011, are primarily the result of increased costs to support the continuing growth of our current operations and expansion of new services. The Company experienced one-time transaction costs of \$79,408 associated with the acquisitions of AHI and PCCM. In addition, start-up losses at AHI during the nine months ended October 31, 2011 were \$83,750. The Company recorded non-cash compensation expenses of \$84,999 for the nine months ended October 31, 2011, related to the issuance of shares for service and non-cash stock option compensation expense, an increase of \$37,833, compared to \$47,166, of such non-cash costs recorded during the nine months ended October 31, 2010. Finally, the Company recorded bad debt expense of \$5,254 during the nine months ended October 31, 2011 compared to a reduction in bad debt expense of \$76,231 in the nine month period ended October 31, 2010.

Depreciation and amortization expense was \$9,814 for the nine months ended October 31, 2011, and \$8,330 for the comparable nine-month period in 2010.

The Company reported a loss from operations of \$143,780 for the nine months ended October 31, 2011, compared to an income from operations of \$18,084 recorded in the same period of 2010. Higher net revenues in 2011 were offset by higher physician and general and administration costs associated added to support continued growth of our operations, expansion of new service offerings and transaction and start-up losses related to the acquisition of AHI.

Interest expense and the amortization of financing costs totaled \$149,974 for the nine months ended October 31, 2011, compared to interest and financing costs of \$122,951 in the nine months ended October 31, 2010. Interest expense and financing costs in 2011 included interest on the subordinated borrowings of \$96,849, and the amortization of financing costs of \$28,125, related to the subordinated borrowings and \$25,000 warrant re-pricing charge. During the nine month period ended, October 31, 2010, the Company incurred interest on the subordinated borrowings of \$94,736, and the amortization of financing costs of \$28,215, related to the subordinated borrowings .

Apollo reported a net loss of \$293,559 for the nine months ended October 31, 2011, compared to a net loss of \$100,388 for the nine months ended October 31, 2010. The increase in the net loss was the result of the factors discussed above.

#### **Liquidity and Capital Resources**

At October 31, 2011, the Company had cash and cash equivalents of \$249,653, compared to cash and cash equivalents of \$397,101 at January 31, 2011. The cash balance at October 31, 2011 included \$205,075 in a money market brokerage account. There were no short-term borrowings at October 31, 2011 or January 31, 2011. Long-term borrowings totaled \$1,399,191 as of October 31, 2011 and \$1,248,588 on January 31, 2011.

Net cash used in operating activities totaled \$302,232 in the nine months ended October 31, 2011, compared to net cash used in operations of \$159,742 for the comparable nine months ended October 31, 2010. The primary changes in working capital during the nine months ended October 31, 2011 was composed of (i) an increase in accounts receivable of \$180,190 and (ii) a decrease of accounts payable and accrued liabilities. The increase in our accounts receivable was due the acquisition PCCM and uncollected revenue from new contracts. Management uses days of sales outstanding (DSO) to measure the effectiveness of our collections. DSO decreased to 55 as of October 31, 2011 compared to 62 DSO as of January 31, 2011.

Net cash used by financing activities totaled \$4,290 for the nine months ended October 31, 2011, compared to \$211 provided by financing activities for the same period in 2010. During fiscal 2011, the Company completed a \$150,000 private placement of convertible debt with a group of accredited investors. In addition, LALC distributed \$154,290 to its sole shareholder.

During the nine months ended October 31, 2011, the Company advanced \$825 to a non-affiliated Company. The Company invested \$5,136 to acquire furniture and fixtures.

#### **Liquidity**

We continue to search for investment opportunities and anticipate that funds generated from operations, together with our current cash on hand and funds available under our revolving credit agreement will be sufficient to finance our working capital requirements and fund anticipated acquisitions, contingent acquisition consideration and capital expenditures.



## **Off Balance Sheet Arrangements**

As of October 31, 2011, we had no off-balance sheet arrangements.

## **Recently Adopted and New Accounting Pronouncements**

See Note 2 to the Condensed Consolidated Financial Statements for information regarding recently adopted and new accounting pronouncements.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company does not hold any derivative instruments and does not engage in any hedging activities.

## **ITEM 4. CONTROLS AND PROCEDURES**

### *Evaluation of Disclosure Controls and Procedures.*

In connection with the preparation of this Quarterly Report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Financial and Accounting Officer, of the effectiveness of our disclosure controls and procedures, as of October 31, 2011, in accordance with Rules 13a-15(b) and 15d-15(b) of the Exchange Act.

Based on that evaluation, our Chief Executive Officer and Principal Financial and Accounting Officer have concluded that our disclosure controls and procedures were not effective as of October 31, 2011.

We have identified the following three material weaknesses in our disclosure controls and procedures:

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 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 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 October 31, 2011, our internal controls over our financial reporting are not effective. The Company is taking remediating steps to address each material weakness. We continue to add employees and consultants to address these issues and we will continue to broaden the scope of our accounting and billing capabilities and realigning 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.

### *Changes in Internal Controls over Financial Reporting*

There has been no change in our internal control over financial reporting during our most recently completed fiscal quarter (i.e., the three-month period ended October 31, 2011) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### ITEM 1. 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 provided by our affiliated physicians. We may also become subject to other lawsuits, which could involve significant claims and/or significant defense costs.

We believe, based upon our review of pending actions and proceedings that the outcome of such legal actions and proceedings will not have a material adverse effect on our 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 our business, financial condition, results of operations, or cash flows in a future period.

### ITEM 1A. RISK FACTORS

Not Applicable

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On September 1, 2011, the Company issued \$150,000 of its 8% Senior Subordinated Promissory Convertible Notes. The net proceeds will be used for working capital to support organic growth including the expansion to new hospitals and hiring of new physicians, acquisitions of physician practices and/or care management businesses and for general corporate purposes. The notes bear interest at a rate of 8% annually, payable semi annually on December 31 and June 30. The Notes mature and become due and payable on January 31, 2013 and rank senior to all other subordinated debt of the Company. No commission was paid.

The 8% Notes are convertible any time prior to January 31, 2013. The initial conversion rate is 80,000 shares of the Company's common stock per \$25,000 principal amount of the 8% Notes, which represents an initial conversion price of \$0.25 per share of the Company's common stock. The conversion price of the 8% Notes will be adjusted on a weighted average basis if the Company issues certain additional shares of common stock (or warrants or rights to purchase share of common stock or securities convertible into common stock) for a consideration per share which is less than the then applicable conversion price.

The Company may require the holders of the 8% Notes to convert to common stock at the then applicable conversion rate at any time after June 30, 2013 if 1) our 10% Notes have been fully repaid or converted and 2) the closing price of our common stock has exceeded 150% of the then applicable Conversion Price for no less than 30 consecutive trading days prior to giving notice.

At any time on or after June 30, 2014, the Company may, at its sole option redeem all of the Notes at redemption price in cash equal to 108% of the principal amount of the Notes to be redeemed plus any accrued and unpaid interest to, but excluding the redemption rate.

The Company relied upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended, for transactions not involving a public offering.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

### ITEM 5. OTHER INFORMATION

On September 13, 2011, the Company's Bylaws were updated to reflect the name of the Company and new Corporate Secretary.

### ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
3.1	Certificate of Incorporation (filed as an exhibit to Registration Statement on Form 10-SB filed on April 19, 1999, and incorporated herein by reference).
3.2	Certificate of Ownership (filed as an exhibit to Current Report on Form 8-K filed on July 15, 2008, and incorporated herein by reference).
3.3	Second Amended and Restated Bylaws (filed as an exhibit to Form 10-Q filed on September 14, 2011, and incorporated herein by reference).
4.1	Form of 10% Senior Subordinated Convertible Note, dated October 16, 2009. (filed as an exhibit on Annual Report on Form 10-K on May 14, 2010, and incorporated herein by reference).
4.2	Form of Investor Warrant, dated October 16, 2009, for the purchase of 25,000 shares of common stock. (filed as an exhibit on Annual Report on Form 10-K/A on March 28, 2012, and incorporated herein by reference).
31.1	Certification by Chief Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
31.2	Certification by Chief Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
32.1	Certification by Chief Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2	Certification by Chief Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code.
101	Financial statements from the quarterly report on Form 10-Q of Apollo Medical Holdings, Inc. for the quarter ended October 31, 2011, formatted in XBRL, are filed herewith and include: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) the Notes to Condensed Consolidated Financial Statements tagged as blocks of text.



**SIGNATURES**

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

**APOLLO MEDICAL HOLDINGS, INC.**

Dated: April 9, 2012

By: /s/ Warren Hosseinion  
Warren Hosseinion  
Chief Executive Officer and Director

Dated: April 9, 2012

By: /s/ Kyle Francis  
Kyle Francis  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND  
PRINCIPAL ACCOUNTING OFFICER  
PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Warren Hosseinion, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Apollo Medical Holdings, Inc.
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-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 quarterly report is being prepared;
  - b) designed such internal control over financial 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;
  - 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: April 9, 2012

By: Warren Hosseinion

Chief Executive Officer

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**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND  
PRINCIPAL ACCOUNTING OFFICER  
PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Kyle Francis, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Apollo Medical Holdings, Inc.
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-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 quarterly report is being prepared;
  - b) designed such internal control over financial 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;
  - 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: April 9, 2012

By: Kyle Francis

Chief Financial Officer

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CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Apollo Medical Holdings, Inc. (the "Company") on Form 10-Q/A for the quarter ended October 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Warren Hosseinion, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. section 1350 and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Date: April 9, 2012

By: Warren Hosseinion

Chief Executive Officer

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CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Apollo Medical Holdings, Inc. (the "Company") on Form 10-Q/A for the quarter ended October 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kyle Francis, Chief Financial Officer and Principal Accounting Officer of the Company, certify, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. section 1350 and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Dated: April 9, 2012

By: Kyle Francis

Chief Financial Officer

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