

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2015**

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

Commission File No.
000-25809

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

Delaware
State of Incorporation

46-3837784
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)

(Former name, former address and former fiscal year, if changed since last report)

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, \$.001 Par Value

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 November 10, 2015, there were 4,863,389 shares of common stock, \$.001 par value per share, issued and outstanding.

APOLLO MEDICAL HOLDINGS, INC.

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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. 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 may include the words “may,” “could,” “will,” “estimate,” “intend,” “continue,” “believe,” “expect” or “anticipate” or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Except 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:

- risks related to our ability to raise capital;
- the ability to service the debt and maintain compliance with the financial covenants established under the credit agreement and related financing agreements entered into with NNA of Nevada, Inc. (“NNA”) in 2014;
- the impact of rigorous competition in the healthcare industry generally;
- the impact on our business, if any, as a result of changes in the way market share is measured by third parties;
- our dependence on a few larger payors;
- whether or not we receive an “all or nothing” annual payment from the Centers for Medicare & Medicaid Services (“CMS”) in connection with our participation in the Medicare Shared Savings Program (the “MSSP”);
- changes in Federal and state programs and policies regarding medial reimbursements and capitated payments for health services we provide;
- the overall success of our acquisition strategy and the integration of any acquired assets with our existing operations;
- industry-wide market factors and regulatory and other developments affecting our operations;
- 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 Affordable Care Act, the rules and regulations promulgated thereunder and any executive action with respect thereto.

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 the section entitled “Risk Factors,” beginning on page 26 of our Annual Report on Form 10-K/A for the year ended March 31, 2015 filed on July 27, 2015.

PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
APOLLO MEDICAL HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2015	March 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,924,922	\$ 5,014,242
Accounts receivable, net	4,015,715	3,801,584
Other receivables	289,064	208,288
Due from affiliates	20,052	36,397
Prepaid expenses	410,013	278,922
Deferred financing costs, net, current	-	513,646
Total current assets	<u>8,659,766</u>	<u>9,853,079</u>
Deferred financing costs, net, non-current	217,963	264,708
Property and equipment, net	577,701	582,470
Restricted cash	530,000	530,000
Intangible assets, net	1,283,163	1,377,257
Goodwill	2,168,833	2,168,833
Other assets	212,146	218,716
TOTAL ASSETS	<u>\$ 13,649,572</u>	<u>\$ 14,995,063</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,944,470	\$ 3,352,204
Medical liabilities	1,337,187	1,260,549
Note and line of credit payable, net of discount, current portion	7,282,448	327,141
Convertible notes payable, net of discount, current portion	2,549,476	1,037,818
Warrant liability	1,315,846	-
Total current liabilities	<u>17,429,427</u>	<u>5,977,712</u>
Notes payable, net of discount, non-current portion	-	6,234,721
Convertible notes payable, net of discount	-	1,457,103
Warrant liability	-	2,144,496
Deferred tax liability	177,344	171,215
Total liabilities	<u>17,606,771</u>	<u>15,985,247</u>
COMMITMENTS AND CONTINGENCIES AND SUBSEQUENT EVENTS (NOTES 10 and 11)		
STOCKHOLDERS' DEFICIT		
Preferred stock, par value \$0.001; 5,000,000 shares authorized; none issued	-	-
Common Stock, par value \$0.001; 100,000,000 shares authorized, 4,863,389 shares issued and outstanding as of September 30, 2015 and March 31, 2015	4,863	4,863
Additional paid-in-capital	16,670,718	16,517,985
Accumulated deficit	(22,354,252)	(19,340,521)
Stockholders' deficit attributable to Apollo Medical Holdings, Inc.	<u>(5,678,671)</u>	<u>(2,817,673)</u>
Non-controlling interest	1,721,472	1,827,489
Total stockholders' deficit	<u>(3,957,199)</u>	<u>(990,184)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 13,649,572</u>	<u>\$ 14,995,063</u>

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

APOLLO MEDICAL HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
(UNAUDITED)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Net revenues	\$ 11,369,607	\$ 11,665,294	\$ 21,573,734	\$ 15,759,780
Costs and expenses				
Cost of services	8,264,189	6,161,645	15,832,057	9,421,484
General and administrative	3,440,641	3,451,907	7,677,846	5,461,239
Depreciation and amortization	77,684	193,281	141,435	205,180
Total costs and expenses	<u>11,782,514</u>	<u>9,806,833</u>	<u>23,651,338</u>	<u>15,087,903</u>
(Loss) income from operations	(412,907)	1,858,461	(2,077,604)	671,877
Other (expense) income				
Interest expense	(68,818)	(329,258)	(429,220)	(606,125)
Gain (loss) on change in fair value of warrant and conversion feature liabilities	96,852	152,140	(116,866)	122,135
Other	(95,092)	(58,436)	5,912	(60,912)
Total other expense	<u>(67,058)</u>	<u>(235,554)</u>	<u>(540,174)</u>	<u>(544,902)</u>
(Loss) income before provision for income taxes	(479,965)	1,622,907	(2,617,778)	126,975
Income tax (benefit) provision	(186,138)	86,989	(93,447)	98,591
Net (loss) income	<u>(293,827)</u>	<u>1,535,918</u>	<u>(2,524,331)</u>	<u>28,384</u>
Net income attributable to non-controlling interest	(237,539)	(159,608)	(489,401)	(329,815)
Net (loss) income attributable to Apollo Medical Holdings, Inc.	<u>\$ (531,366)</u>	<u>\$ 1,376,310</u>	<u>\$ (3,013,732)</u>	<u>\$ (301,431)</u>
Other comprehensive gain:				
Unrealized gain on change in value of marketable securities	-	14,499	-	33,088
Comprehensive (loss) income	<u>\$ (531,366)</u>	<u>\$ 1,390,809</u>	<u>\$ (3,013,732)</u>	<u>\$ (268,343)</u>
NET LOSS PER SHARE:				
BASIC	<u>\$ (0.11)</u>	<u>\$ 0.28</u>	<u>\$ (0.62)</u>	<u>\$ (0.06)</u>
DILUTED	<u>\$ (0.11)</u>	<u>\$ 0.26</u>	<u>\$ (0.62)</u>	<u>\$ (0.06)</u>
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
BASIC	<u>4,863,389</u>	<u>4,913,455</u>	<u>4,863,389</u>	<u>4,913,455</u>
DILUTED	<u>4,863,389</u>	<u>5,439,344</u>	<u>4,863,389</u>	<u>4,913,455</u>

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

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

	Six Months Ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (2,524,331)	\$ 28,384
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization expense	141,435	205,180
Deferred income tax	6,129	59,314
Stock-based compensation expense	152,733	975,658
Amortization of financing costs	46,745	62,283
Amortization of debt discount	(47,875)	177,963
Change in fair value of warrant and conversion feature liability	116,866	(122,135)
Changes in assets and liabilities:		
Accounts receivable	(214,131)	(993,669)
Other receivables	(80,776)	(5,382,617)
Due from affiliates	16,345	42,378
Prepaid expenses and advances	(131,091)	(14,167)
Deferred financing costs	513,646	-
Other assets	6,570	(347)
Accounts payable and accrued liabilities	1,592,267	2,170,739
Medical liabilities	76,638	668,779
Net cash used in operating activities	<u>(328,830)</u>	<u>(2,122,257)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition, net of cash and cash equivalents acquired	-	(1,947,431)
Property and equipment acquired	(42,572)	(15,583)
Net cash used in investing activities	<u>(42,572)</u>	<u>(1,963,014)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of convertible note payable	-	2,000,000
Principal payments on term note payable	(122,500)	(726,082)
Contribution by non-controlling interest	-	550,000
Distributions to non-controlling interest	(595,418)	(600,000)
Debt issuance costs	-	(20,000)
Net cash (used in) provided by financing activities	<u>(717,918)</u>	<u>1,203,918</u>
NET DECREASE IN CASH & CASH EQUIVALENTS	(1,089,320)	(2,881,353)
CASH & CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>5,014,242</u>	<u>6,831,478</u>
CASH & CASH EQUIVALENTS, END OF PERIOD	<u>\$ 3,924,922</u>	<u>\$ 3,950,125</u>
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	\$ 380,748	\$ 356,196
Income taxes paid	\$ 32,197	\$ 18,588
Non-Cash Financing Activities:		
Holdback liability	\$ -	\$ 136,822
Convertible note warrant	\$ -	\$ 487,620
Convertible note conversion feature	\$ -	\$ 578,155
Acquisition related warrant consideration	\$ -	\$ 132,000

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. (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 by private or public insurance, although the Company derives 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’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”), and ApolloMed Accountable Care Organization, Inc. (“ApolloMed ACO”). 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 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 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. 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 will not receive any incentive payment in fiscal year 2016.

Liquidity and Capital Resources

The unaudited condensed 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 September 30, 2015 has an accumulated deficit of \$22,354,252, and during the six months ended September 30, 2015 net cash used in operating activities was \$328,830.

The primary sources of liquidity as of September 30, 2015 include cash on hand of \$3,924,922. Management has established a business plan, which they believe will result in future profitability. Additionally the Company is highly dependent on MSSP revenue, which is contingent upon the realization of program savings as determined by the CMS. Non-receipt of all or nothing annual payments from the MSSP, as occurred during fiscal 2016, will adversely impact the liquidity of the Company.

On October 14, 2015, the Company entered into a Securities Purchase Agreement (the “Agreement”) with Network Medical Management, Inc. (“NMM”) pursuant to which the Company sold to NMM, and NMM purchased from the Company, in a private offering of securities, 1,111,111 investment units (the “Units”), each unit consisting of one share of the Company’s Series A Preferred Stock (the “Preferred Stock”) and a stock purchase warrant (the “Warrants”) to purchase one share of the Company’s common stock (the “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 of Nevada, Inc. (the Company repaid its outstanding term loan and revolving credit facility with NNA pursuant to the Credit Agreement in the then-outstanding aggregate amount of \$7,304,506, consisting of \$7,282,500 principal plus \$22,006 of accrued interest) and the balance for working capital (see Note 11 to the Notes to the Condensed Consolidated Financial Statements).

Management believes that the ongoing requirements for working capital, debt service and covenants compliance and planned capital expenditures will be adequately funded from current sources for at least the next twelve months.

2. Summary of Significant Accounting Policies

Accounting Principles

These unaudited condensed consolidated statements reflect all adjustments, consisting of normal recurring adjustments, which, in management’s opinion, are necessary, and should be read in conjunction with the Company’s Annual Report on Form 10-K/A for the fiscal year ended March 31, 2015 as filed with the SEC on July 29, 2015.

Principles of Consolidation

The Company's unaudited condensed 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, a newly formed entity which provides home health and hospice medical services and owns BCHC and HCHHA and in which a non-controlling interest in APS contributed \$586,111 in cash; and (3) physician practice corporations ("PPCs") managed under long-term management service agreements including AMH, MMG, ACC, LALC, Hendel, AKM, 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, 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 (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

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.

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 receives 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 HMO's 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, 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. 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 September 30, 2015 and March 31, 2015. (See Note 2 “Medical Liabilities” below).

Medicare Shared Savings Program Revenue

The Company through its subsidiary, ApolloMed ACO, participates 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, will be calculated annually by CMS on cost savings generated by the ACO participant relative to the ACO participants’ CMS benchmark. The MSSP is a relatively new program managed by CMS that has an evolving payment methodology. 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.

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 the Company did not meet the minimum savings threshold and therefore will not receive any incentive payment in fiscal year 2016.

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 associated with Maverick Medical Group. The certificates have an interest rate of 0.15%.

Goodwill and Intangible Assets

Under FASB 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, management assesses whether there has been any impairment in the value of goodwill by first comparing the fair value to the net carrying value. 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. The fair value is evaluated based on market capitalization determined using average share prices within a reasonable period of time near the selected testing date (i.e., fiscal year-end).

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:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Medicare/Medi-Cal	32.7%	*	33.8%	*
L.A Care	16.0%	**	14.6%	**
Healthnet	11.3%	**	12.4%	**
Hollywood Presbyterian	*	*	*	*
California Hospital Medical Center	*	*	*	*

* Represents less than 10%

** Not a payor during this time period

Receivables from one payor amounted to the following percentage of total accounts receivable:

	September 30, 2015	March 31, 2015
Medicare/Medi-Cal	30.9%	22.1%

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 condensed consolidated statements of operations and comprehensive loss. 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 condensed 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, none on institutional risk pools. Any adjustments to reserves are reflected in current operations.

The Company's medical liabilities were as follows:

	Six Months Ended September 30, 2015	Year Ended March 31, 2015
Balance, beginning of period	\$ 1,260,549	\$ 552,561
Incurring health care costs:		
Current year	3,308,542	4,211,231
Acquired medical liabilities (see Note 3)	-	458,378
Claims paid:		
Current year	(2,167,473)	(3,245,283)
Prior years	(993,785)	(90,367)
Total claims paid	(3,161,258)	(3,335,650)
Risk pool settlement	-	(384,869)
Accrual for net deficit from full risk capitation contracts	19,632	544,041
Adjustments	(90,278)	(785,143)
Balance, end of period	<u>\$ 1,337,187</u>	<u>\$ 1,260,549</u>

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 Note 6).

At March 31, 2015, there was approximately \$514,000 of deferred financing costs related to the Company's anticipated public offering which was anticipated to close during the second quarter of fiscal 2016. During the six months ended September 30, 2015, it was determined the offering would be postponed more than 90 days and these costs, which included legal, accounting and regulatory fees, were expensed to general and administrative expense in the six months ended September 30, 2015.

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.

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

The fair values of the Company's financial instruments are measured on a recurring basis. The carrying amount reported in the accompanying condensed 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 Term Loan and the Convertible Notes with NNA 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.

Out of Period Correction

During the quarter ended September 30, 2015, following a review of the terms of certain derivative instruments entered into on March 28, 2014, management determined that a 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 prior financial statements were not considered to be materially misstated. Accordingly, the Company recorded an out of period correction in the current period to properly record the valuation of its warrant liability, unamortized debt discount and deferred financing costs. The following is a summary of the out of period correction made as of September 30, 2015:

	As of and for the three months ended June 30, 2015 (as filed, before NNA error adjustment)	Out-of- period correction adjustment booked during the three months ended September 30, 2015	As of and for the three months ended June 30, 2015 (as adjusted)
Deferred financing costs	\$ 235,093	\$ 14,937	\$ 250,030
Note and line of credit payable, net of discount	\$ 6,624,548	\$ 764,208	\$ 7,388,756
Warrant liability	\$ 2,308,620	\$ (831,312)	\$ 1,477,308
Interest expense	\$ 360,402	\$ (250,453)	\$ 109,949
Loss on change in fair value of warrant and conversion feature liabilities	\$ 213,718	\$ 168,412	\$ 382,130

The fair value of the warrant liability of \$1,315,846 at September 30, 2015 related to the warrants issued in connection with the 2014 NNA financing was estimated at September 30, 2015 using the Monte Carlo valuation model which used the following inputs: term of 5.5 years, risk free rate of 1.37%, no dividends, volatility of 58.1%, share price of \$5.10 per share based on the trading price of the Company's common stock adjusted for a marketability discount, and a 50% probability of down-round financing, after taking into account the above adjustment.

The fair value of the warrant liability of \$2,144,496 at March 31, 2015 was estimated at March 31, 2015 using the Monte Carlo valuation model which used the following inputs: term of 6.0 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 50% probability of down-round financing.

Conversion feature liability

The fair value of the \$388,150 conversion feature liability (included in convertible note payable) at September 30, 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 3.5 years, risk free rate of 1.0%, no dividends, volatility of 45.5%, share price of \$5.10 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 NNA Financing 8% Convertible Note conversion price of \$10.00 per share. 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 NNA Financing 8% Convertible Note conversion price of \$10.00 per share.

The carrying amounts and fair values of the Company's financial instruments are presented below as of:

September 30, 2015

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Liabilities:				
Warrant liability, as adjusted	\$ -	\$ -	\$ 1,315,846	\$ 1,315,846
Conversion feature liability	-	-	388,150	388,150
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,703,996</u>	<u>\$ 1,703,996</u>

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
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,586,854</u>	<u>\$ 2,586,854</u>

The following summarizes the activity of Level 3 inputs measured on a recurring basis for the three and six months ended September 30, 2015:

	Three Months Ended September 30, 2015			Six Months Ended September 30, 2015		
	Warrant Liability	Conversion Feature Liability	Total	Warrant Liability	Conversion Feature Liability	Total
Balance, beginning of period	\$ 2,308,620	\$ 491,952	\$ 2,800,572	\$ 2,144,496	\$ 442,358	\$ 2,586,854
Loss (gain) on change in fair value of warrant and conversion feature liability	(161,462)	(103,802)	(265,264)	2,662	(54,208)	(51,546)
Warrant out of period correction, as adjusted	(831,312)	-	(831,312)	(831,312)	-	(831,312)
Balance, as adjusted, end of period	<u>\$ 1,315,846</u>	<u>\$ 388,150</u>	<u>\$ 1,703,996</u>	<u>\$ 1,315,846</u>	<u>\$ 388,150</u>	<u>\$ 1,703,996</u>

The change in fair value of the warrant and conversion feature liability is included in the accompanying condensed consolidated statements of operations and comprehensive loss. 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.

Non-Controlling Interests

The non-controlling interests recorded in the Company's condensed consolidated financial statements includes the pre-acquisition 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.

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.

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:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Options	-	-	-	365,722
Warrants	-	-	-	149,580
Convertible Notes	-	79,952	-	74,882
	-	<u>79,952</u>	-	<u>590,184</u>

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) amended the FASB Accounting Standards Codification and created a new Topic ASC 606, “*Revenue from Contracts with Customers*” (“ASC 606”). This amendment prescribes that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendment supersedes the revenue recognition requirements in Topic 605, “*Revenue Recognition*,” and most industry-specific guidance throughout the Industry Topics of the Codification. For annual and interim reporting periods the mandatory adoption date of ASC 606 is January 1, 2017, and there will be two methods of adoption allowed, either a full retrospective adoption or a modified retrospective adoption. The FASB recently issued ASU 2015-14 to defer the effective date of the new revenue recognition standard by one year. As such, it now takes effect for public entities in fiscal years beginning after December 15, 2017. Accordingly the revised mandatory adoption date of ASC 606 is 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.

In August 2014, the FASB amended the FASB Accounting Standards Codification and amended Subtopic 205-40, “*Presentation of Financial Statements – Going Concern*.” 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 2015, the FASB issued ASU No. 2015-01, *Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*. This standard update eliminates the concept of extraordinary items from generally accepted accounting principles in the United States (U.S. GAAP) as part of an initiative to reduce complexity in accounting standards while maintaining or improving the usefulness of the information provided to the users of the financial statements. The presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained and expanded to include items that are both unusual in nature and infrequent in occurrence. This standard update is effective for fiscal years beginning after December 15, 2015; however, earlier adoption is permitted. The adoption of this standard update is not expected to have a significant impact on our consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, *Amendments to the Consolidation Analysis*, which is included in ASC 810, Consolidation. This update changes the guidance with respect to the analyses that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. All legal entities are subject to reevaluation under the revised consolidation model. The new guidance affects the following areas: (1) limited partnerships and similar legal entities, (2) evaluating fees paid to a decision maker or a service provider as a variable interest, (3) the effect of fee arrangements on the primary beneficiary determination, (4) the effect of related parties on the primary beneficiary determination, and (5) certain investment funds. The guidance will be effective for the Company’s interim and annual reporting periods beginning April 1, 2016. The standard allows the Company to transition to the new model using either a full or modified retrospective approach, and early adoption is permitted. The Company is currently evaluating the impact this standard will have on its business practices, financial condition, results of operations, and disclosures.

In April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30)*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this ASU. The amendments in this ASU are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those years. Early adoption is permitted for financial statements that have not been previously issued and retrospective application is required for each balance sheet presented. The adoption of this standard update is not expected to have a significant impact on the Company’s consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with 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 differ materially from these estimates under different assumptions or conditions.

3. Acquisitions

During the six months ended September 30, 2014, the Company acquired SCHC and AKM for a total cash consideration of \$1,947,431, net of cash acquired of \$620,960, detailed as follows:

SCHC	\$	2,428,391
AKM		140,000
Less: cash acquired		<u>(620,960)</u>
Total	\$	<u>1,947,431</u>

The results of AKM's operations have been included in the Company's condensed consolidated financial statements since May 30, 2014.

4. Intangible Assets

Intangible assets, net consisted of the following:

September 30, 2015	<u>Gross Amounts</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Indefinite-lived assets:			
Medicare license	\$ 704,000	\$ -	\$ 704,000
Amortized intangible assets:			
Exclusivity	40,000	(20,940)	19,060
Non-compete	185,400	(70,472)	114,928
Payor relationships	107,000	(26,750)	80,250
Network relationships	220,000	(51,333)	168,667
Trade name	257,000	(60,742)	196,258
Totals	<u>\$ 1,513,400</u>	<u>\$ (230,237)</u>	<u>\$ 1,283,163</u>

March 31, 2015	<u>Gross Amounts</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Indefinite-lived assets:			
Medicare license	\$ 704,000	\$ -	\$ 704,000
Amortized intangible assets:			
Exclusivity	40,000	(15,940)	24,060
Non-compete	185,400	(41,428)	143,972
Payor relationships	107,000	(16,050)	90,950
Network relationships	220,000	(29,333)	190,667
Trade name	257,000	(33,392)	223,608
Totals	<u>\$ 1,513,400</u>	<u>\$ (136,143)</u>	<u>\$ 1,377,257</u>

The amortization expense for the three and six months ended September 30, 2015 was approximately \$47,000 and \$94,000, respectively. The amortization expense for the three and six months ended September 30, 2014 was approximately \$125,000 and \$130,000 respectively.

Future amortization expense is estimated to be as follows for the period October 1, 2105 to March 31, 2016 and for each of the five following years ending March:

October 31, 2015 to March 31, 2016	\$ 93,083
2017	185,001
2018	146,538
2019	114,658
2020	39,883
Total	<u>\$ 579,163</u>

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

	<u>September 30, 2015</u>	<u>March 31, 2015</u>
Accounts payable	\$ 2,780,757	\$ 1,377,817
Physician share of MSSP	62,000	62,000
Accrued compensation	1,732,178	1,469,132
Income taxes payable	105,110	185,051
Accrued interest	105,131	55,529
Accrued professional fees	159,294	202,675
	<u>\$ 4,944,470</u>	<u>\$ 3,352,204</u>

6. Notes and Lines of Credit Payable

Notes and lines of credit payable consist of the following:

	September 30, 2015	March 31, 2015
Term loan payable to NNA due March 28, 2019, net of debt discount of \$217,316 (September 30, 2015) and \$1,060,401 (March 31, 2015)	\$ 6,187,684	\$ 5,467,098
Line of credit payable to NNA due March 28, 2019	1,000,000	1,000,000
Unsecured revolving line of credit due to financial institution due June 5, 2016	94,764	94,764
	<u>\$ 7,282,448</u>	<u>\$ 6,561,862</u>

NNA Credit Agreements

On October 15, 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. The proceeds of the Amended Credit Agreement were used by the Company to repay the \$500,000 Note to SpaGus Apollo, LLC, and pay or repay certain of the Company's 10% Notes (see Note 7 to the Notes to the Unaudited Condensed Consolidated Financial Statements), to refinance certain other indebtedness of the Company, and for working capital and general corporate purposes. The Amended Credit Agreement was refinanced on March 28, 2014 in connection with 2014 NNA financing, as described in more detail immediately below.

Pursuant to the Amended Credit Agreement, NNA has the right to designate one director and one observer to the Board of Directors; however, as of September 30, 2015, NNA has not exercised this right.

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 was 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 are secured by substantially all of the Company's assets, and are guaranteed by the Company's subsidiaries and consolidated medical corporations. The guarantees of these subsidiaries and consolidated entities are 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 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) are considered pledged interests. Pledged interests as of the date of the Pledge and Security Agreement include 100% of AMM, PCCM, VMM common stock and 72.77% of ApolloMed ACO common stock.

Concurrently with the Credit Agreement, the Company entered into an Investment Agreement with NNA (the "Investment Agreement"), 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 matures on March 28, 2019, subject to NNA's right to accelerate payment on the occurrence of certain events. The Company may redeem amounts outstanding under the Convertible Note on 60 days' prior notice to NNA. Amounts outstanding under the Convertible Note are 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 are guaranteed by its subsidiaries and consolidated medical corporations.

On February 6, 2015, the Company entered into a First Amendment and Acknowledgement (the "Acknowledgement") with NNA, Warren Hosseinian, 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 covering the sale of NNA's registrable securities.

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 Company determined the fair value of the proceeds of \$9.0 million in part based on the following inputs for the warrant liability: term of 7 years, risk free rate of 2.31%, no dividends, volatility of 71.4%, share price of \$4.50 per share and a 50% probability of down-round financing. The common stock issuance was recorded at \$899,739 (a discount of \$1,100,261 to the face amount), the Term Loan was recorded at \$5,745,637 (a discount of \$1,254,363 to the face amount), and a corresponding warrant liability of \$2,354,624 was recorded.

During the three months ended September 30, 2015, management determined that the valuation of certain derivative instruments entered into on March 28, 2014, was incorrect which resulted in certain amounts being incorrectly stated in prior periods. Accordingly, the Company recorded an out of period correction in the current period increasing debt issuance cost and debt discount by \$26,117 and \$990,838, respectively, and decreasing warrant liability and financing expense by \$999,724 and \$35,004, respectively, as of and for the two month period ended March 31, 2014. These out of period corrections reflect the correct balances of the debt issuance costs, note (net of discount) and warrant liability of NNA of \$176,218, \$6,685,402 and \$1,354,900, respectively, as of March 31, 2014 (see Note 2 to the Notes to the Unaudited Condensed Consolidated Financial Statements).

The Term Loan accrues interest at a rate of 8.0% per annum. A portion of the principal amount of the Term Loan is repaid on the last business day of each calendar quarter, which provides 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 Term Loan reflected an original issue discount of \$1,305,435 associated with the issuance of 300,000 warrants to acquire the Company's common stock (see Note 9 to the Notes to the Unaudited Condensed Consolidated Financial Statements) and payment of a fee to NNA of \$80,000 of which \$51,072 was considered a debt discount, \$7,998 was recorded to equity, and \$20,930 allocated to warrant liability was immediately recorded as interest expense. The discount will be amortized to interest expense over the expected term of the loan using the effective interest method.

The Revolving Loan bears interest at the rate of three month LIBOR plus 6.0% per annum. The Company had borrowed \$1,000,000 under the Revolving Loan at September 30, 2015 and March 31, 2015. As of September 30, 2015, there are no remaining amounts available to be borrowed under the Revolving Loan. The Term Loan and Revolving Loan were to mature on March 28, 2019.

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, as adjusted, after out-of-period correction as discussed in Note 2, was classified as deferred financing costs which will be deferred and amortized over the life of the loan using the effective interest method.

The Credit Agreement and the Convertible Note provide for certain financial covenants. On February 16, 2015, the Company and NNA agreed to amend the tangible net worth covenant computation.

In addition, the Credit Agreement and the Convertible Note include: (1) certain negative covenants that, subject to exceptions, limit the Company's ability to, among other things, incur additional indebtedness, engage in future mergers, consolidations, liquidations and dissolutions, sell assets, pay dividends and distributions on or repurchase capital stock, and enter into or amend other material agreements; and (2) certain customary representations and warranties, affirmative covenants and events of default, which are set forth in more detail in the 2014 NNA financing credit agreement and Convertible Note.

On July 7, 2015, the Company entered into an Amendment to First Amendment and Acknowledgement (the “New Amendment”) with NNA. The New Amendment amended the Acknowledgement 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.

On August 18, 2015, the Company entered into a Waiver and Consent (“Waiver”) with NNA, pursuant to which NNA waived and consented to certain provisions of the Credit Agreement, and the Convertible Note. The Waiver was granted by NNA until October 15, 2015. The company failed to comply with certain financial covenants as of September 30, 2015 and did not seek a further waiver from NNA. NNA did not declare a default and the loan was repaid from the proceeds of the financing with NMM on October 15, 2015. Since non-compliance with the financial covenants provided for therein existed for the quarter ending September 30, 2015, all debt has been classified as current as of September 30, 2015.

On October 14, 2015, the Company entered into an Agreement with NMM pursuant to which the Company sold to NMM 1,111,111 units, each unit consisting of one share of Series A Convertible Preferred Stock (the “Preferred Stock”) and one stock purchase warrant, for a total purchase price of \$10,000,000, the proceeds of which were used by the Company primarily to repay certain outstanding indebtedness owed by the Company to NNA. (See Note 11 to the Notes to the Unaudited Condensed Consolidated Financial Statements).

Unsecured revolving line of credit

Included in “Notes and lines of credit payable” in the accompanying consolidated balance sheet is a \$100,000 revolving line of credit with MUFG Union Bank, N.A., of which \$94,764 was outstanding at September 30, 2015 and March 31, 2015. Borrowings under the line of credit bear interest at the prime rate (as defined) plus 4.50% (7.75% per annum at September 30, 2015 and at March 31, 2015), interest only is payable monthly, and the line of credit matures June 5, 2016. The line of credit is unsecured.

Other lines of credit

LALC has a line of credit of \$230,000 with JPMorgan Chase Bank, N.A. as of September 30, 2015. The Company has not borrowed any amount under this line of credit as of September 30, 2015 and March 31, 2015.

BAHA has a line of credit of \$150,000 with First Republic Bank as of September 30, 2015. The Company has not borrowed any amount under this line of credit as of September 30, 2015 and March 31, 2015. The line of credit is subject to renewal on April 27, 2016.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Interest expense	\$ 149,070	\$ 143,845	\$ 298,779	\$ 287,998
Amortization of loan fees and discount	30,531	71,673	105,104	142,924
Out of period adjustment	(250,453)	-	(250,453)	-
	<u>\$ (70,852)</u>	<u>\$ 215,518</u>	<u>\$ 153,430</u>	<u>\$ 430,922</u>

7. Convertible Notes Payable

Convertible notes payable consist of the following:

	September 30, 2015	March 31, 2015
9% Senior Subordinated Convertible Notes due February 15, 2016, net of debt discount of \$24,770 (September 30, 2015) and \$62,182 (March 31, 2015)	\$ 1,075,230	\$ 1,037,818
8% Senior Subordinated Convertible Note Payable to NNA due March 28, 2019, net of debt discount of \$913,904 (September 30, 2015) and \$985,255 (March 31, 2015)	1,086,096	1,014,745
Conversion feature liability	388,150	442,358
	<u>\$ 2,549,476</u>	<u>\$ 2,494,921</u>

9% Senior Subordinated Callable Convertible Promissory Notes due February 15, 2016

The 9% Notes, issued January 31, 2013, bear interest at a rate of 9% per annum, payable semi-annually on August 15 and February 15, and mature February 15, 2016, and are subordinated. The principal of the 9% Notes, plus any accrued yet unpaid interest, is 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 are 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 are callable at a price of 105% of the 9% Notes' par value, and if the ADVT is less than \$100,000, the 9% Notes are callable at a price of 110% of the 9% Notes' par value.

In connection with the issuance of the 9% Notes, the holders of the 9% Notes received warrants to purchase 66,000 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 the 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%.

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. Borrowings bear interest at the rate of 8.0% per annum payable semi-annually, are due March 28, 2019, and are convertible into shares of the Company's common stock at an initial exercise price of \$10.00 per share, subject to adjustment for stock splits, stock dividends and reverse stock splits. The conversion price is 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. The fair value of the conversion feature liability issued in connection with the 8% Convertible Note at September 30, 2015 was estimated using the Monte Carlo valuation model which used the following inputs: term of 3.7 years, risk free rate of 1.3%, no dividends, volatility of 48.6%, share price of \$6.90 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. In addition the Company was required to issue 100,000 warrants to NNA with an initial exercise price of \$10.00 per share, subject to adjustment for stock splits, stock dividends and reverse stock splits. The conversion price will also be subject to adjustment in the event of subsequent down-round financings, if any, by the Company. The fair value of the warrant liability related to 100,000 common shares issuable in connection with the 8% Convertible Note as of September 30, 2015 was estimated using the Monte Carlo valuation model which used the following inputs: term of 5.7 years, risk free rate of 1.8%, no dividends, volatility of 57.6%, share price of \$6.90 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.

From the proceeds of the transactions with NMM (see Note 11 to the Notes to the Condensed Consolidated Financial Statements) on October 15, 2015, the Company repaid its outstanding term loan and revolving credit facility with NNA pursuant to the Credit Agreement in the then-outstanding aggregate amount of \$7,304,506, consisting of \$7,282,500 principal plus \$22,006 of accrued interest.

Additionally, NNA has agreed in principle to convert the Convertible Note and exercise all of its related Warrants (See Note 11 to the Notes to the Unaudited Condensed Consolidated Financial Statements).

Interest expense associated with the convertible notes payable consisted of the following:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Interest expense	\$ 66,102	\$ 52,856	\$ 131,571	\$ 77,881
Amortization of loan fees and discount	73,568	60,884	144,219	97,322
	<u>\$ 139,670</u>	<u>\$ 113,740</u>	<u>\$ 275,790</u>	<u>\$ 175,203</u>

8. Income Taxes

Deferred income taxes are provided on a liability method whereby deferred tax assets and liabilities are recognized for temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Significant management judgment is required in determining the Company's provision for income taxes and the recoverability of the Company's deferred tax assets. Such determination is based primarily on the Company's historical taxable income, with some consideration given to the Company's estimates of future taxable income by jurisdictions in which the Company operates and the period over which the Company's deferred tax assets will be recoverable. Due to overall cumulative losses incurred in recent years, the Company maintained a full valuation allowance against its deferred tax assets as of September 30, 2015 and March 31, 2015. The Company is subject to U.S. federal income tax, as well as California state tax.

ASC No. 740 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC No. 740, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC No. 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure requirements. The Company and its subsidiaries are currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2011 and later. The Company's state income tax returns are open to audit under the statute of limitations for the years ended December 31, 2010 and later. The Company does not anticipate any material unrecognized tax benefits within the next twelve months.

9. Stockholders' Equity

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 September 30, 2015, there were no shares available for grant under the 2010 Plan.

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 and provides for awards, including incentive stock options, non-qualified options, restricted common stock, and stock appreciation rights. The Company received approval of the 2013 Plan from the Company's stockholders on May 19, 2013. As of September 30, 2015 there were approximately 90,000 shares available for future grants under the 2013 Plan.

Share Issuances

A summary of the Company's restricted stock sold to employees, directors and consultants with a right of repurchase of unexpired or unvested shares is as follows:

	Shares	Weighted Average Remaining Vesting Life (In years)	Weighted Average Per Share Intrinsic Value	Weighted-average Per Share Grant Date Fair Value
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 September 30, 2015	-	-	-	-

Options

Stock option activity for the six months ended September 30, 2015 is summarized below:

	Shares	Weighted Average Per Share Exercise Price	Weighted Average Remaining Life (Years)	Weighted Average Per Share Intrinsic Value
Balance, March 31, 2015	776,500	\$ 4.69	7.4	\$ 1.50
Granted	-	-	-	-
Cancelled	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Forfeited	-	-	-	-
Balance, September 30, 2015	776,500	\$ 3.27	7.4	\$ 3.59
Vested and exercisable, September 30, 2015	692,556	\$ 2.55	7.2	\$ 4.02

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 and provides for awards, including incentive stock options, non-qualified options, restricted common stock, and stock appreciation rights. 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 stock awards under the ACO Plan during the six months ended September 30, 2015:

	Shares	Weighted Average Remaining Vesting Life (Years)	Weighted Average Per Share Intrinsic Value	Weighted Average Per Share Fair Value
Balance, March 31, 2015	3,752,004	0.1	\$ 0.70	\$ 0.07
Granted	-	-	-	-
Released	-	-	-	-
Balance, September 30, 2015	3,752,004	-	\$ 0.70	\$ 0.07
Vested and exercisable, end of period	3,712,675	-	-	-

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 September 30, 2015, total unrecognized compensation costs related to non-vested stock-based compensation arrangements granted under the Company's 2010 Plan and 2013 Plan, and the ACO Plan's and the weighted-average period of years expected to recognize those costs are as follows:

	Unrecognized Stock Compensation Cost	Weighted Average Remaining Vesting Period (Years)
Common stock options	\$ 155,393	1.7
Restricted stock	\$ -	-
ACO Plan restricted stock	\$ 76	0.01

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 condensed consolidated statement of operations as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Stock-based compensation expense:				
Cost of services	\$ 1,227	\$ (17,822)	\$ 2,454	\$ 10,921
General and administrative	67,659	874,341	150,279	964,737
	<u>\$ 68,886</u>	<u>\$ 856,519</u>	<u>\$ 152,733</u>	<u>\$ 975,658</u>

Warrants

Warrants consisted of the following for the six months ended September 30, 2015:

	Weighted Average Per Share Intrinsic Value	Number of Warrants
Outstanding at March 31, 2015	\$ 0.46	914,500
Granted	-	-
Exercised	-	-
Cancelled	-	-
Outstanding at September 30, 2015	<u>\$ 0.32</u>	<u>914,500</u>

Exercise Price Per Share	Warrants Outstanding	Weighted Average Remaining Contractual Life	Warrants Exercisable	Weighted Average Exercise Price Per Share
\$ 1.15	125,000	0.8	125,000	\$ 1.15
1.15	25,000	0.8	25,000	1.15
4.50	50,000	0.8	50,000	4.50
5.00	10,000	2.1	10,000	5.00
4.50	82,500	2.3	82,500	4.50
4.00	22,000	2.3	22,000	4.00
10.00	200,000	5.5	-	10.00
20.00	200,000	5.5	-	20.00
10.00	100,000	5.5	-	10.00
10.00	100,000	2.8	100,000	10.00
	<u>914,500</u>	<u>3.8</u>	<u>414,500</u>	<u>4.60</u>

In connection with the 2014 NNA financing, NNA received 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 up to 200,000 shares at an initial exercise price of \$20.00 per share, subject to adjustment for stock splits, reverse stock splits and stock dividends, and are exercisable after March 28, 2017 and before March 28, 2021. The warrants also contain 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. The Company determined that the warrants should be classified as liabilities under ASC 815-40, which requires the Company to determine the fair value of the warrants at the transaction date and at each subsequent reporting date (see Notes 2, 6 and 11 to the Notes to the Condensed Consolidated Financial Statements).

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 time prior to July 21, 2018.

Authorized stock

At September 30, 2015 the Company is authorized to issue up to 100,000,000 shares of common stock pursuant to its Certificate of Incorporation, as amended. 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 shares of the 9% Notes, the exercise of all outstanding warrants exercisable into shares of common stock, and shares granted and available for grant under the Company's 2013 Plan. The number of shares of common stock reserved for these purposes is as follows at September 30, 2015:

Common stock issued and outstanding	4,863,389
Conversion of 9% Notes	275,000
Conversion of 8% Notes	200,000
Warrants outstanding	914,500
Stock options outstanding	776,500
Remaining shares issuable under 2013 Plan	90,000
	<u>7,119,389</u>

10. Commitments and Contingencies

Regulatory Matters

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. 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 Medicaid programs. The Company believes that it is in compliance with all applicable laws and regulations.

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 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 M.D., the Company's Chief Executive Officer. Dr. Hosseinion is defending the action and is currently being indemnified by the Company pursuant to the terms of an indemnification agreement and the Company's Certificate of Incorporation, as amended. The Company also 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 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.

The parties involved in the proceedings described above are currently in mediation.

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 physicians. 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, or any other claims that may be asserted against the Company from time to time, 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. The Company believes that its malpractice coverage is adequate and standard for the industry.

11. Subsequent Events

Securities Purchase Agreement

On October 14, 2015, Company entered into 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 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 Preferred Stock 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 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, 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, the Preferred Stock 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 Preferred Stock, 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 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 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.

Pursuant to the 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. Prior to the time of such appointment or election, one person designated by the Purchaser shall have observer status, without a vote, on the Board of Directors.

Without the written consent of NMM, between the Closing Date and the six 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.

The securities were sold by the Company to NMM 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 Securities and Exchange Commission thereunder.

Series A Convertible Preferred Stock

On October 15, 2015, the Company filed a Certificate of Designation of Series A Convertible Preferred Stock (the "Certificate of Designation") with the Secretary of State of the State of Delaware, in connection with the creation of the Preferred Stock sold to NMM on October 14, 2015.

NNA Term Loan, Revolving Credit Facility and Convertible Note

In connection with the transactions with NMM described above on October 15, 2015, the Company repaid, from the proceeds of the sale of the securities therein described, its outstanding term loan and revolving credit facility with NNA pursuant to a Credit Agreement dated March 28, 2014 between the Company and NNA in the aggregate amount of \$7,304,506, consisting of principal of \$7,282,500 plus \$22,006 of accrued interest.

Additionally, NNA has agreed in principle to convert the Company's Convertible Note dated March 28, 2014 in the principal amount of \$2,000,000 into 275,000 shares of the Company's Common Stock and exercise all of its related Common Stock Purchase Warrants dated March 28, 2014 into 325,000 shares of the Company's Common Stock on a cashless basis. Assuming the foregoing transactions are consummated, the Company will receive no proceeds from NNA and it will have no further indebtedness owed to NNA. The Company currently anticipates that these transactions will be completed during the third quarter of fiscal 2016.

Amended Bylaws and Appointment of Certain Officers

On October 12, 2015, the Board of Directors of the Company amended Section 3.1 of the Company's Restated Bylaws to provide that the authorized number of directors shall be fixed from time to time by the board of directors, provided that the authorized number of directors shall not be less than one.

On October 12, 2015, Warren Hosseinion, M.D. was appointed by the Board of Directors to serve as the Secretary of Apollo Medical Holdings, Inc. effective immediately, to fill the vacancy created by the previous resignation of Mitchell Creem from all positions he held with the Company.

Office Move

In connection with the Company's amended lease agreement dated October 14, 2014, the Company relocated its headquarters to a larger suite in its current office building in October 2015. The Second 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 will be improved with an allowance of up to \$659,360, provided by the Landlord, for construction and installation of equipment for the New Premises. Before the improved New Premises are available, the Company shall also use Suite No. 240 on a temporary basis. The Second Amendment also extends the term of the lease to be for approximately six years after the Company begins operations in the New Premises and increases the Company's initial security deposit. The Second 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.

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/A for the year ended March 31, 2015, filed with the SEC on July 29, 2015.

In this Quarterly Report, unless otherwise expressly stated or the context otherwise requires, "ApolloMed," "we," "us" and "our" refer to Apollo Medical Holdings, Inc., a Delaware corporation, its subsidiaries and its consolidated affiliates. 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. 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.

Overview

We are a patient-centered, physician-centric, integrated healthcare delivery 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 more results-oriented 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, synergistic operations:

- Hospitalists, which includes our contracted physicians who focus on the delivery of comprehensive medical care to hospitalized patients;
- An ACO, which focuses on the provision of high-quality and cost-efficient care to Medicare FFS patients;
- Two IPAs, which contract with physicians and provide care to Medicare, Medicaid, commercial and dual eligible patients on fee-for-service or 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, our at-home, pain management and final stages of life services.

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
- 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, IPAs and palliative care operations.

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.

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 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 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 services through MMG. In 2014, we added several complementary operations by acquiring an IPA and 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, ACC, MMG, AKM, 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

Our recent financial highlights, as more fully discussed below, include that for the three and six months ended September 30, 2015 (unaudited), we had:

For the three months ended September 30, 2015

- Net revenue of \$11.4 million, a decrease of 2.5% from \$11.7 million for the three months ended September 30, 2014 which net revenue consisted of approximately \$3.8 million from our hospitalists, approximately \$4.4 million from our IPAs, approximately \$1.6 million from our clinics, and \$1.6 million from our palliative care services; and
- Generated loss from operations of \$0.4 million, a decrease of 122.2% compared to income from operations of \$1.9 million in the comparable period of 2014.

For the six months ended September 30, 2015

- Net revenue of \$21.6 million, an increase of 36.9% from \$15.8 million for the six months ended September 30, 2014 which net revenue consisted of approximately \$7.6 million from our hospitalists, approximately \$7.5 million from our IPAs, approximately \$3.4 million from our clinics, and \$3.1 million from our palliative care services; and
- Generated loss from operations of \$2.1 million, a decrease of 409.2% compared to income from operations of \$0.7 million in the comparable period of 2014.

Although we exceeded our 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 we did not meet the minimum savings threshold and therefore will not receive the all or nothing annual incentive payment in fiscal 2016.

Results of Operations

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

	Three Months Ended September 30,				Six Months Ended September 30,			
	2015	2014	Change		2015	2014	Change	
			\$	%			\$	%
Net revenues	\$ 11,369,607	\$ 11,665,294	\$ (295,687)	-2.5%	\$ 21,573,734	\$ 15,759,780	\$ 5,813,954	36.9%
Costs and expenses								
Cost of services	8,264,189	6,161,645	2,102,544	34.1%	15,832,057	9,421,484	6,410,573	68.0%
General and administrative	3,440,641	3,451,907	(11,266)	-0.3%	7,677,846	5,461,239	2,216,607	40.6%
Depreciation and amortization	77,684	193,281	(115,597)	-59.8%	141,435	205,180	(63,745)	-31.1%
Total costs and expenses	11,782,514	9,806,833	1,975,681	20.1%	23,651,338	15,087,903	8,563,435	56.8%
(Loss) income from operations	(412,907)	1,858,461	(2,271,368)	-122.2%	(2,077,604)	671,877	(2,749,481)	-409.2%
Other (expense) income								
Interest expense	(68,818)	(329,258)	260,440	-79.1%	(429,220)	(606,125)	176,905	-29.2%
(Loss) gain on change in fair value of warrant and conversion feature liabilities	96,852	152,140	(55,288)	-36.3%	(116,866)	122,135	(239,001)	-195.7%
Other	(95,092)	(58,436)	(36,656)	62.7%	5,912	(60,912)	66,824	-109.7%
Total other expense	(67,058)	(235,554)	168,496	-71.5%	(540,174)	(544,902)	4,728	-0.9%
(Loss) income before provision for income taxes	(479,965)	1,622,907	(2,102,872)	-129.6%	(2,617,778)	126,975	(2,744,753)	-2161.6%
Income tax (benefit) provision	(186,138)	86,989	(273,127)	-314.0%	(93,447)	98,591	(192,038)	-194.8%
Net loss	(293,827)	1,535,918	(1,829,745)	-119.1%	(2,524,331)	28,384	(2,552,715)	-8993.5%
Net income attributable to noncontrolling interest	(237,539)	(159,608)	(77,931)	48.8%	(489,401)	(329,815)	(159,586)	48.4%
Net (loss) income attributable to Apollo Medical Holdings, Inc.	\$ (531,366)	\$ 1,376,310	\$ (1,907,676)	-138.6%	\$ (3,013,732)	\$ (301,431)	\$ (2,712,301)	899.8%

For the Three and Six Months Ended September 30, 2015 and 2014

Net revenues

Net revenues for the three months ended September 30, 2015 decreased by approximately \$0.3 million, from \$11.7 million to \$11.4 million, or 2.5%, as compared to the same period of 2014. The decrease in revenue was primarily due to the \$5.4 million ACO shared savings revenue earned during the three months ended September 30, 2014 and no comparable revenues earned in the current period as CMS determined we did not meet the minimum savings threshold and therefore we will not receive any incentive payment in fiscal year 2016, and a \$0.5 million decrease in hospitalist revenue, offset by an increase of \$2.4 million in MMG revenues due to an increase in patient lives, an increase in incremental revenue of \$1.6 million from the acquisitions of BCHC and HCHHA, an increase of \$1.4 million in revenue from consolidating BAHA as a variable interest entity and incremental revenue of \$0.2 million from AKM and SCHC.

Net revenues for the six months ended September 30, 2015 increased by approximately \$5.8 million, from \$15.8 million to \$21.6 million, or 36.9%, as compared to the same period of 2014. The increase in revenue was primarily due to an increase of \$3.1 million in incremental revenue from the acquisitions of BCHC and HCHHA, an increase of \$2.6 million in revenue from consolidating BAHA as a variable interest entity, and an increase of \$1.9 million in incremental revenue from the acquisitions of AKM and SCHC. Furthermore, MMG revenues increased \$3.9 million from the six months ended September 30, 2014, due to an increase in patient lives. These increases were offset by the \$5.4 million loss of the ACO shared savings revenue and a \$0.3 million decrease in hospitalist revenue.

Cost of services

Cost of services for the three months ended September 30, 2015 increased by approximately \$2.1 million, from \$6.2 million to \$8.3 million, or 34.1%, as compared to the same period of 2014. Cost of services increased approximately \$2.2 million primarily due to the incremental costs associated with the Company's acquisitions during fiscal 2015, of which \$0.3 million resulted from the acquisitions of AKM and SCHC and \$1.0 million resulted from the acquisitions of BCHC and HCHHA. Furthermore, there was a \$1.4 million increase in MMG claim costs due to the increase in patient lives and consolidating BAHA as a variable interest entity added \$1.0 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 and a \$0.1 million decrease in other physician related costs.

Cost of services for the six months ended September 30, 2015 increased by approximately \$6.4 million, from \$9.4 million to \$15.8 million, or 68.0%, as compared to the same period of 2014. Cost of services increased approximately \$3.6 million primarily due to the incremental costs associated with the Company's acquisitions during fiscal 2015, of which \$1.8 million resulted from the acquisitions of AKM and SCHC and \$1.8 million resulted from the acquisitions of BCHC and HCHHA. Furthermore, there was a \$2.8 million increase in MMG claim costs due to the increase in patient lives and consolidating BAHA as a variable interest entity added \$1.8 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 and a \$0.4 million decrease in other physician related costs.

General and administrative

General and administrative costs for the three months ended September 30, 2015 remained flat with the comparable period of 2014.

General and administrative costs for the six months ended September 30, 2015 increased by approximately \$2.2 million, from \$5.5 million to \$7.7 million, or 40.0%, as compared to the same period of 2014. Approximately \$1.8 million of the increase was due to the acquisitions of AKM and SCHC and BCHC and HCHHA which added costs of \$0.3 million and \$1.5 million, respectively. Other increases included (i) \$0.8 million in legal and professional fees increased \$0.8 million related to the Lakeside litigation and other corporate initiatives; (ii) \$0.9 million in additional personnel and facilities costs; and \$0.7 million in general and administrative costs attributable to the consolidation of BAHA. These increases were offset by a \$1.6 million decrease in costs related to the ACO initiative, a \$0.2 million decrease in stock compensation expense, and a \$0.1 million decrease in other expenses.

Depreciation and amortization

Depreciation and amortization expense for the three months ended September 30, 2015, decreased by approximately \$0.1 million, from \$0.2 million to \$0.1 million, or 60.0%, as compared to the same period of 2014. This decrease was primarily due to the decrease in amortization expense which decreased during the current quarter as a result of a March 31, 2015 reclassification from intangible assets to goodwill in connection with the acquisition of SCHC.

Depreciation and amortization expense for the six months ended September 30, 2015, decreased by approximately \$0.1 million, from \$0.2 million to \$0.1 million, or 31.3%, as compared to the same period of 2014. This decrease was primarily due to a decrease in amortization expense which decreased as a result of a March 31, 2015, reclass from intangible assets to goodwill in connection with the acquisition of SCHC, and a decrease in depreciation expense due to certain fixed assets becoming fully depreciated during the current year.

Operating Loss (Income)

Operating loss (income) for the three months ended September 30, 2015, decreased by approximately \$2.3 million, from \$1.9 million of operating income to an operating loss of \$0.4 million, or 122.2% in the three months ended September 30, 2015, due primarily to the net impact of the decrease in revenues and an increase in operating expenses.

Operating loss (income) for the six months ended September 30, 2015, decreased by approximately \$2.7 million, from \$0.7 million of operating income to an operating loss of \$2.1 million, or 409.2%, due primarily to the net impact of the increase in revenues and an increase in operating expenses.

Interest expense

Interest expense for the three months ended September 30, 2015, decreased by approximately \$0.3 million, from \$0.3 million to \$0.1 million, or 79.1%, as compared to the same period of 2014. This decrease was primarily due to the decrease in the amortization expense of the debt discount which decreased as a result of the adjustment recorded to properly state our warrant liability, unamortized debt discount and deferred financing costs (see note 2 – warrant liability in the Notes to our Unaudited Condensed Consolidated Financial Statements).

Interest expense for the six months ended September 30, 2015, decreased by approximately \$0.2 million, from \$0.6 million to \$0.4 million, or 29.2%, as compared to the same period of 2014. This decrease was primarily due to the decrease in the amortization expense of the debt discount which decreased as a result of the adjustment recorded to properly state our warrant liability, unamortized debt discount and deferred financing costs (see note 2 – warrant liability in the Notes to our Unaudited Condensed Consolidated Financial Statements).

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

The gain on change in fair value of warrant and conversion feature liabilities for the three months ended September 30, 2015, decreased by approximately \$0.1 million, from \$0.2 million to \$0.1 million, or 36.3%, as compared to the same period of 2014. This decrease resulted from the change in the fair value measurement of the Company's warrant and conversion feature liabilities, which consider among other things, expected term, the volatility of the Company's share price, interest rates, and the probability of additional financing of the underlying NNA Term Loan and NNA 8% Convertible Note.

The loss on change in fair value of warrant and conversion feature liabilities for the six months ended September 30, 2015, increased by approximately \$0.2 million, from a gain of \$0.1 million to a loss of \$0.1 million, or 195.7%, as compared to the same period of 2014. This increase resulted from the change in the fair value measurement of the Company's warrant and conversion feature liabilities, which consider among other things, expected term, the volatility of the Company's share price, interest rates, and the probability of additional financing of the underlying NNA Term Loan and NNA 8% Convertible Note.

Other

For the three and nine month periods ended September 30, 2015, other expenses remained flat compared to the same periods of 2014.

Income tax (benefit) provision

Income tax benefit for the three months ended September 30, 2015, increased approximately \$0.3 million, from a provision of \$0.1 million to a benefit of \$0.2 million, or 314.0%, as compared to the same period of 2014. For the three months ended September 30, 2015 the effective tax rate was (38.8)% compared to 5.4% for the three months ended September 30, 2014.; The change in the effective rate is primarily attributable to the additions of AKM (acquired May 2014), HCHHA (acquired October 2014) and BAHA (consolidated as a variable interest entity).

Income tax provision for the six months ended September 30, 2015, increased approximately \$0.2 million, from a provision of \$0.1 million to a benefit of \$0.1 million, or 194.4%, as compared to the same period of 2014. For the six months ended September 30, 2015 the effective tax rate was (3.6)% compared to 77.9% for the six months ended September 30, 2014. The change in the effective rate was primarily attributable to the additions of AKM (acquired May 2014), HCHHA (acquired October 2014) and BAHA (consolidated as a variable interest entity).

Net income attributable to non-controlling interests

For the three and six months ended September 30, 2015, net income attributable to non-controlling interests remained flat as compared to the same periods of 2014.

Liquidity and Capital Resources

We had net loss of approximately \$0.6 million and \$2.9 million for the six months ended September 30, 2015 and 2014, respectively. We had negative cash flow from operations of \$0.3 million and \$2.1 million for the six months ended September 30, 2015 and 2014, respectively. Cash flows used in investing activities were approximately \$43,000 and \$2.0 million for the six months ended September 30, 2015 and 2014. Cash flows used in financing activities were \$0.7 million for the six months ended September 30, 2015, compared to cash flows provided by financing activities of \$1.2 million for the six months ended September 30, 2014. We expect to have positive cash flow from operations for the entire 2016 fiscal year. We expect 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. We currently anticipate that funds received from the NMM transactions, funds generated from operations, cash on hand, available borrowings under our lines of credit and any additional financings will be sufficient to meet our anticipated cash requirements for at least the next twelve months and for the foreseeable future.

To date, we have funded our operations from internally generated cash flow and external sources, including the proceeds from the issuance of equity and debt securities, which have provided funds for operations and growth.

We have a history of operating losses and as of September 30, 2015 we have an accumulated deficit of \$22.7 million, and during the six months ended September 30, 2015 we used net cash of \$0.3 million for our operating activities. Furthermore, during the six months ended September 30, 2015, we incurred a loss from operations of \$2.4 million.

At September 30, 2015, the Company had cash equivalents of approximately \$3.9 million compared to cash and cash equivalents of approximately \$5.0 million at March 31, 2015. At September 30, 2015, the Company had borrowings totaling \$9.8 million compared to borrowings at March 31, 2015 of \$9.1 million and availability under lines of credit of approximately \$380,000.

For the six months ended September 30, 2015, cash used in operating activities was approximately \$0.3 million. This was the result of net loss of \$2.5 million offset by cash provided by non-cash expenses of \$0.4 million and the change in working capital of \$1.7 million. Non-cash expenses primarily include depreciation and amortization expense, stock-based compensation expense, amortization of financing costs, accretion of debt discount, and the change in the fair value of the warrant and conversion feature liabilities. Cash provided by working capital was primarily due to the \$1.6 million increase in accounts payable and accrued liabilities and the \$0.5 million decrease in deferred financing costs. Deferred financing costs decreased as a result of the write-off of the expenses associated with our expected public offering (See Note 2 to the Notes to the Unaudited Condensed Consolidated Financial Statements).

For the six months ended September 30, 2015, approximately \$43,000 was used in investing activities for the purchase of fixed assets.

For the six months ended September 30, 2015, net cash used in financing activities was \$0.7 million which included the \$0.6 million distribution to a non-controlling interest physician practice and \$0.1 million principal payments on our notes payable.

NNA Credit Agreements

On October 15, 2013, we entered into the \$2.0 million Revolving Credit Agreement with NNA, an affiliate of Fresenius Medical Care Holdings, Inc. On December 20, 2013, we entered into the Amended Credit Agreement, which increased the revolving credit facility from \$2.0 million to \$4.0 million. We used the proceeds of the Amended Credit Agreement to repay a \$500,000 Note to SpaGus Apollo, LLC, and pay or repay certain of our 10% Notes (see Note 7 to the Notes to the Unaudited Condensed Consolidated Financial Statements), to refinance certain other indebtedness, and for working capital and general corporate purposes. The Amended Credit Agreement was refinanced on March 28, 2014 in connection with 2014 NNA financing, as described in more detail immediately below.

Pursuant to the Amended Credit Agreement, NNA has the right to designate one director and one observer person to the Board of Directors; however, as of September 30, 2015, NNA has not elected to exercise this right.

2014 NNA Financing

On March 28, 2014, we entered into 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 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 the Company's assets, and are guaranteed by the Company's subsidiaries and consolidated medical corporations. The guarantees of these subsidiaries and consolidated entities are 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 entered into the Investment Agreement with NNA, pursuant to which it issued to NNA an 8% Convertible Note in the original principal amount of \$2,000,000. The Company drew down the full principal amount of the Convertible Note on July 30, 2014. The Convertible Note matures on March 28, 2019, subject to NNA's right to accelerate payment on the occurrence of certain events.

On February 6, 2015, the Company entered into 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.

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.

The Term Loan accrues interest at a rate of 8.0% per annum. A portion of the principal amount of the Term Loan is repaid on the last business day of each calendar quarter, which provides 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 Term Loan reflected an original issue discount of \$1,305,435 associated with the issuance of 300,00 warrants to acquire the Company's common stock and payment of a fee to NNA of \$80,000 of which \$51,072 was considered a debt discount, \$7,998 was recorded to equity, and \$20,930 allocated to warrant liability was immediately recorded as interest expense. The discount will be amortized to interest expense over the expected term of the loan using the effective interest method.

The Revolving Loan bears interest at the rate of three month LIBOR plus 6.0% per annum. The Company had borrowed \$1,000,000 under the Revolving Loan at June 30, 2015 and March 31, 2015. As of June 30, 2015, there are no remaining amounts available to be borrowed under the Revolving Loan. The Term Loan and Revolving Loan mature on March 28, 2019.

On May 13, 2015, we entered into 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 the New Amendment with NNA. The New Amendment amended Acknowledgement, among the Company, NNA, Warren Hosseinion, M.D., and Adrian Vazquez, M.D. and included an extension until October 24, 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 August 18, 2015, the Company entered into a Waiver with NNA, whereby NNA waived and consented to certain provisions of the Credit Agreement and the Convertible Note. The Waiver was granted by NNA until October 15, 2015 and since non-compliance existed for the quarter ending September 30, 2015, all debt was classified as current as of September 30, 2015.

Securities Purchase Agreement and Repayment of NNA Debt

On October 14, 2015, we 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, 1,111,111 Units, each unit consisting of one share of the Company's Preferred Stock and a Warrants 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 Preferred Stock 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 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, 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 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 the Company files its quarterly report on Form 10-Q for the period ending September 30, 2016 (the "Redemption Expiration Date"); or (ii) the date on which the Company received the written, irrevocable decision of NMM not to require a redemption of the Preferred Stock (as described in the following paragraph), in the event that the Company engages in one or more transactions resulting in gross proceeds of not less than \$5,000,000, not including the proceeds of the transaction with NMM.

At any time prior to conversion and through the Redemption Expiration Date, the Preferred Stock 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 Preferred Stock, 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 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 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 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 Warrant) of the shares in respect of which the Warrant is being converted minus the aggregate Warrant Exercise Price (as defined in the Warrant) of such shares by (y) the Fair Market Value of one share of Common Stock. 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.

Pursuant to the 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. Prior to the time of such appointment or election, one person designated by the Purchaser shall have observer status, without a vote, on the Board of Directors.

Without the written consent of NMM, between the Closing Date and the six 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.

From the proceeds of the transactions with NMM described above on October 15, 2015, the Company repaid, from the proceeds of the sale of the securities therein described, its outstanding term loan and revolving credit facility with NNA pursuant to a Credit Agreement dated March 28, 2014 between the Company and NNA in the aggregate amount of \$7,304,506, consisting of \$7,282,500 principal plus \$22,006 of accrued interest.

Additionally, NNA, has agreed in principle to convert the Company's Convertible Note dated March 28, 2014 in the principal amount of \$2,000,000 into 275,000 shares of the Company's Common Stock and exercise all of its related Common Stock Purchase Warrants dated March 28, 2014 into 325,000 shares of the Company's Common Stock on a cashless basis. Assuming the foregoing transactions are consummated, the Company will receive no proceeds from NNA and it will have no further indebtedness owed to NNA. The Company currently anticipates that these transactions will be completed during the third quarter of fiscal 2016.

Unsecured lines of credit

We have a \$100,000 revolving line of credit with MUFG Union Bank, N.A., of which \$94,764 was outstanding at September 30, 2015 and March 31, 2015. Borrowings under the line of credit bear interest at the prime rate (as defined) plus 4.50% (7.75% per annum at September 30, 2015 and at March 31, 2015), interest only is payable monthly, and the line of credit matures June 5, 2016. The line of credit is unsecured.

LALC has a line of credit of \$230,000 with JPMorgan Chase Bank, N.A. as of September 30, 2015. The Company has not borrowed any amount under this line of credit as of September 30, 2015 and March 31, 2015.

BAHA has a line of credit of \$150,000 with First Republic Bank as of September 30, 2015. The Company has not borrowed any amount under this line of credit as of September 30, 2015 and March 31, 2015. The line of credit is subject to renewal on April 27, 2016.

9% Senior Subordinated Callable Convertible Promissory Notes due February 15, 2016

Our 9% Notes, issued January 31, 2013, bear interest at a rate of 9% per annum, payable semi-annually on August 15 and February 15, and mature February 15, 2016, and are subordinated. The principal of the 9% Notes, plus any accrued yet unpaid interest, is 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 our common stock. On 60 days' prior notice, the 9% Notes are callable in full or in part by the Company at any time after January 31, 2015. If the ADVT during the prior 90 days as reported by Bloomberg is greater than \$100,000, the 9% Notes are callable at a price of 105% of the 9% Notes' par value, and if the ADVT is less than \$100,000, the 9% Notes are callable at a price of 110% of the 9% Notes' par value.

In connection with the issuance of the 9% Notes, the holders of the 9% Notes received warrants to purchase 66,000 shares of our 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 the 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%.

8% Convertible Note Payable to NNA

The NNA 8% Convertible Note commitment provided for us to borrow up to \$2,000,000. On July 31, 2014, we exercised our 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. Borrowings bear interest at the rate of 8.0 % per annum payable semi-annually, are due March 28, 2019, and are convertible into shares of our common stock at an initial exercise price of \$10.00 per share, subject to adjustment for stock splits, stock dividends and reverse stock splits. The conversion price is also subject to adjustment in the event of subsequent down-round equity financings, if any. 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. The fair value of the conversion feature liability issued in connection with the 8% Convertible Note at September 30, 2015 was estimated using the Monte Carlo valuation model which used the following inputs: term of 3.7 years, risk free rate of 1.3%, no dividends, volatility of 48.6%, share price of \$6.90 per share based on the trading price of our common stock adjusted for a marketability discount, and a 100% probability of down-round financing. In addition, we were required to issue 100,000 warrants to NNA with an initial exercise price of \$10.00 per share, subject to adjustment for stock splits, stock dividends and reverse stock splits. The conversion price will also be subject to adjustment in the event of subsequent down-round financings, if any. The fair value of the warrant liability related to 100,000 common shares issuable in connection with the 8% Convertible Note as of September 30, 2015 was estimated using the Monte Carlo valuation model which used the following inputs: term of 5.7 years, risk free rate of 1.8%, no dividends, volatility of 57.6%, share price of \$6.90 per share based on the trading price of our common stock adjusted for a marketability discount, and a 100% probability of down-round financing.

From the proceeds of the transactions with NMM (see Note 11 to the Notes to the Condensed Consolidated Financial Statements) on October 15, 2015, we repaid our outstanding term loan and revolving credit facility with NNA pursuant to the Credit Agreement in the then-outstanding aggregate amount of \$7,304,506, consisting of \$7,282,500 principal plus \$22,006 of accrued interest.

Additionally, NNA has agreed in principle to convert the Convertible Note dated March 28, 2014 in the principal amount of \$2,000,000 into 275,000 shares of our Common Stock and exercise all of its related Warrants. (See dated March 28, 2014 into 325,000 shares of the Company's Common Stock. (see Note 11 to the Notes to the Unaudited Condensed Consolidated Financial Statements). We currently anticipate that these transactions will be completed during the third quarter of fiscal 2016.

Concentration of Payors

Receivables from one payor (Medicare/MediCal) amounted to 30.9% and 22.1% of total accounts receivable as of September 30, 2015 and March 31, 2015, respectively. For the six months ended September 30, 2015, revenues from Medicare/Medical, LA Care and Healthnet amounted to 33.8%, 14.6% and 12.4%, respectively. We anticipate that these payors will continue to be our largest payors in future periods.

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. Hosseinion 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 six months ended September 30, 2015 and for the year ended March 31, 2015:

Entity	Facility	Expiration	Interest Rate per Annum	Six Months Ended September 30, 2015			
				Maximum Balance During Period	Ending Balance	Principal Paid During Period	Interest Paid During Period
AMH	\$ 10,000,000	30-Sep-18	10%	\$ 1,981,975	\$ 1,981,975	\$ -	\$ -
ACC	1,000,000	31-Jul-18	10%	1,306,614	1,306,614	-	-
MMG	5,000,000	1-Feb-18	10%	832,646	543,179	289,467	-
AKM	5,000,000	30-May-19	10%	124,683	0	124,683	-
SCHC	5,000,000	21-Jul-19	10%	3,181,168	3,070,789	110,379	-
Total	\$ 26,000,000			\$ 7,427,086	\$ 6,902,557	\$ 524,529	\$ -

Entity	Facility	Expiration	Interest Rate per Annum	Year Ended March 31, 2015			
				Maximum Balance During Period	Ending Balance	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	5,000,000	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

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. We believe that our critical accounting policies are limited to those described in the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K/A for the fiscal year ended March 31, 2015.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") amended the FASB Accounting Standards Codification and created a new Topic ASC 606, "Revenue from Contracts with Customers" ("ASC 606"). This amendment prescribes that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendment supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition," and most industry-specific guidance throughout the Industry Topics of the Codification. For annual and interim reporting periods the mandatory adoption date of ASC 606 is January 1, 2017, and there will be two methods of adoption allowed, either a full retrospective adoption or a modified retrospective adoption. The FASB recently issued ASU 2015-14 to defer the effective date of the new revenue recognition standard by one year. As such, it now takes effect for public entities in fiscal years beginning after December 15, 2017. Accordingly the revised mandatory adoption date of ASC 606 is 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.

In August 2014, the FASB amended the FASB Accounting Standards Codification and amended Subtopic 205-40, "Presentation of Financial Statements – Going Concern." 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 2015, the FASB issued ASU No. 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items." This standard update eliminates the concept of extraordinary items from generally accepted accounting principles in the United States (U.S. GAAP) as part of an initiative to reduce complexity in accounting standards while maintaining or improving the usefulness of the information provided to the users of the financial statements. The presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained and expanded to include items that are both unusual in nature and infrequent in occurrence. This standard update is effective for fiscal years beginning after December 15, 2015; however, earlier adoption is permitted. The adoption of this standard update is not expected to have a significant impact on our consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, *Amendments to the Consolidation Analysis*, which is included in ASC 810, Consolidation. This update changes the guidance with respect to the analyses that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. All legal entities are subject to reevaluation under the revised consolidation model. The new guidance affects the following areas: (1) limited partnerships and similar legal entities, (2) evaluating fees paid to a decision maker or a service provider as a variable interest, (3) the effect of fee arrangements on the primary beneficiary determination, (4) the effect of related parties on the primary beneficiary determination, and (5) certain investment funds. The guidance will be effective for the Company's interim and annual reporting periods beginning April 1, 2016. The standard allows the Company to transition to the new model using either a full or modified retrospective approach, and early adoption is permitted. The Company is currently evaluating the impact this standard will have on its business practices, financial condition, results of operations, and disclosures.

In April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30)*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this ASU. The amendments in this ASU are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those years. Early adoption is permitted for financial statements that have not been previously issued and retrospective application is required for each balance sheet presented. The adoption of this standard update is not expected to have a significant impact on the Company's consolidated financial statements.

Off Balance Sheet Arrangements

As of September 30, 2015, the Company had no off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

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 September 30, 2015, 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 September 30, 2015.

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. 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 September 30, 2015, our internal controls over our financial reporting are not effective. The Company is taking remediating steps to address these material weaknesses. We have recently hired a full-time accountant and we are seeking to hire a permanent Chief Financial Officer and possibly other employees or consultants, as well as realign responsibilities in our financial and accounting review functions, to address these matters.

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 the three month period ended September 30, 2015 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 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 legal matters:

On May 16, 2014, Lakeside Medical Group, Inc. and Regal Medical Group, Inc., two independent physician associations who compete with us in the greater Los Angeles area, filed an action against us and two of our affiliates, MMG and AMEH in Los Angeles County Superior Court. The complaint alleged that we and our 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, 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 us and our affiliates with Demands for Arbitration before Judicial Arbitration Mediation Services (JAMS) in Los Angeles. We are 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. We are aware that punitive damages previously sought in the court proceeding are not available in arbitration. We are preparing a defense to the allegations and we intend 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, 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 our charter. 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, 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, we agreed to consolidate the two proceedings against Dr. Hosseinion with the two existing proceedings against us and our other affiliates. We continue 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. We are aware that punitive damages previously sought in the court proceeding against Dr. Hosseinion are not available in arbitration.

The parties involved in both arbitration proceedings described above are currently in mediation.

Other than the two specific items disclosed above, the merits of which we continue to examine and analyze, 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 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On October 14, 2015, we entered into 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 our Preferred Stock and a Warrants to purchase one share of our 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 Preferred Stock 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 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, 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 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 the Company files its quarterly report on Form 10-Q for the period ending September 30, 2016 (the "Redemption Expiration Date"); or (ii) the date on which the Company received the written, irrevocable decision of NMM not to require a redemption of the Preferred Stock (as described in the following paragraph), in the event that the Company engages in one or more transactions resulting in gross proceeds of not less than \$5,000,000, not including the proceeds of the transaction with NMM.

At any time prior to conversion and through the Redemption Expiration Date, the Preferred Stock 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 Preferred Stock, 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 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 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 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 Warrant) of the shares in respect of which the Warrant is being converted minus the aggregate Warrant Exercise Price (as defined in the Warrant) of such shares by (y) the Fair Market Value of one share of Common Stock. 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.

Pursuant to the 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. Prior to the time of such appointment or election, one person designated by the Purchaser shall have observer status, without a vote, on the Board of Directors.

Without the written consent of NMM, between the Closing Date and the six 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 medical service organization (MSO), accountable care organization (ACO) or independent practice association (IPA), or enter into any agreement with respect to any of the foregoing.

The securities were sold by the Company to NMM 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 Securities and Exchange Commission thereunder.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

As previously reported in a Current Report on Form 8-K dated September 25, 2015, on September 21, 2015, Mitchell Creem resigned as Chief Financial Officer of the Company, not as a result of any disagreement with the Board or the Company's management. William R. Abbott, the Company's Controller, was appointed as Interim Chief Financial Officer.

As previously reported in a Current Report on Form 8-K dated October 16, 2015, on October 12, 2015, Warren Hosseinion, M.D. was appointed by the Board of Directors to serve as the Secretary of Apollo Medical Holdings, Inc. effective immediately, to fill the vacancy created by the previous resignation of Mitchell Creem from all positions he held with the Company.

Also on October 12, 2015, the Board of Directors of the Company amended Section 3.1 of the Company's Restated Bylaws to provide that the authorized number of directors shall be fixed from time to time by the board of directors, provided that the authorized number of directors shall not be less than one.

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1*	Certificate of Incorporation, as amended on October 16, 2015
3.2*	Restated Bylaws, as amended on October 12, 2015

Exhibit No.	Description
31.1*	Certification by Chief Executive Officer
31.2*	Certification by Chief Financial Officer
32.1*	Certification by Chief Executive Officer pursuant to 18 U.S.C. section 1350.
32.2*	Certification by Chief Financial Officer pursuant to 18 U.S.C. section 1350
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
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.
	* Filed herewith.

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: November 16, 2015

By: /s/ William R. Abbott
William R. Abbott
Chief Financial Officer
(Principal Financial and Accounting Officer)

Delaware

The First State

Page 1

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "APOLLO MEDICAL HOLDINGS, INC.", FILED IN THIS OFFICE ON THE SIXTEENTH DAY OF OCTOBER, A.D. 2015, AT 4:13 O`CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE KENT COUNTY RECORDER OF DEEDS.



2074844 8100
SR# 20150540714

You may verify this certificate online at corp.delaware.gov/authver.shtml

A handwritten signature in black ink, appearing to read "JBULLOCK", is written over a horizontal line. Below the line, the text "Jeffrey W. Bullock, Secretary of State" is printed in a small font.

Authentication: 10254971
Date: 10-16-15

**CERTIFICATE OF DESIGNATION OF
SERIES A CONVERTIBLE PREFERRED STOCK
OF
APOLLO MEDICAL HOLDINGS, INC.**

Apollo Medical Holdings, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify:

The name of the corporation is Apollo Medical Holdings, Inc.

The certificate of incorporation of the Corporation authorizes the issuance of Five Million (5,000,000) shares of Preferred Stock, \$.001 par value, and expressly vests in the Board of Directors of the Corporation the authority provided therein to provide for the issuance of said shares in series and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations, or restrictions thereof.

The Board of Directors of the Corporation, pursuant to the authority expressly vested in it as aforesaid, has adopted the following resolutions creating a "Series A Convertible" issue of Preferred Shares:

RESOLVED, that a series of the class of authorized Preferred Stock of the Corporation be and hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

SERIES A CONVERTIBLE PREFERRED STOCK

1. Designation And Amount. The shares of the series shall be designated "Series A Convertible Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting such series shall be One Million One Hundred Eleven Thousand One Hundred Eleven (1,111,111).

2. Dividends. The holders of the shares of Series A Preferred Stock shall be entitled to receive dividends, out of any assets legally available therefor, on parity with the holders of the shares of Common Stock, and shall share ratably with the holders of the shares of Common Stock in any declaration or payment of any dividend in such amounts as are then payable to a holder of an equal number of shares of the Common Stock into which such shares of Series A Preferred Stock may be converted as of the record date, payable when, as, and if declared by the Board of Directors, and such dividends shall be non-cumulative.

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3. Liquidation, Dissolution Or Winding Up.

(a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of Series A Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, after and subject to the payment in full of all amounts required to be distributed to the holders, if any, of any Preferred Stock of the Corporation ranking on liquidation prior and in preference to the Series A Preferred Stock upon such liquidation, dissolution or winding up, but before any payment shall be made to the holders of Common Stock or other Preferred Stock, if any, junior ranking on liquidation ("Junior Stock"), an amount equal to the sum of (i) \$9.00 for each outstanding share of Series A Preferred Stock ("Original Series A Issue Price") and (ii) any declared and unpaid dividends on such share for each share of Series A Preferred Stock then held by them. The Original Series A Issue Price shall be subject to appropriate adjustment in the event of any stock dividend, stock split, stock distribution or combination with respect to such shares. If upon any such liquidation, dissolution or winding up of the Corporation, the remaining assets of the Corporation available for the distribution to its stockholders after payment in full of amounts required to be paid or distributed to the holders, if any, of any Preferred Stock of the Corporation ranking on liquidation prior and in preference to the Series A Preferred Stock shall be insufficient to pay the holders of shares of Series A Preferred Stock the full amount to which they shall be entitled, the holders of shares of Series A Preferred Stock, and any other class of stock ranking on liquidation on a parity with the Series A Preferred Stock (such Preferred Stock ranking on liquidation on parity with the Series A Preferred Stock being referred to as "Parity Stock"), shall share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable with respect to the shares held by them upon such distribution if all amounts payable on or with respect to said shares were paid in full.

(b) After the payment of all preferential amounts required to be paid to the holders, if any, of any Preferred Stock of the Corporation ranking on liquidation prior and in preference to the Series A Preferred Stock, any Series A Preferred Stock and any Parity Stock upon the dissolution, liquidation or winding up of the Corporation, any remaining assets and funds of the Corporation available for distribution to the Corporation's stockholders shall be distributed pro rata to the Junior Stock.

(c) Neither the sale, lease nor exchange (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation, nor the merger, consolidation or combination of the Corporation into or with any other corporation or the merger, consolidation or combination of any other corporation or entity into or with the Corporation, shall be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes of this Section 3.

(d) After payment to the holders of Series A Preferred Stock of the full amount of the distribution of assets upon dissolution, liquidation or winding up of the Corporation to which they are entitled pursuant to this Section 3, such holders will not be entitled to any further participation in any distribution of assets by the Corporation.

WJ AS

4. Voting Rights. The holder of each share of Series A Preferred Stock shall have the right to one vote for each share of Common Stock into which such Series A Preferred Stock could then be converted, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Common Stock, and shall be entitled, notwithstanding any provision hereof, to notice of any stockholders' meeting in accordance with the Bylaws of the Corporation, and shall be entitled to vote, together with holders of Common Stock, with respect to any question upon which holders of Common Stock have the right to vote. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as-converted basis (after aggregating all shares into which shares of Series A Preferred Stock held by each holder could be converted) shall be rounded to be nearest whole number (with one-half being rounded upward).

5. Conversion.

(a) Conversion Rights. Each share of Series A Preferred Stock will be convertible, (i) at the option of the holder thereof at any time after issuance (a "Voluntary Conversion"), and (ii) mandatorily at any time not sooner than the earlier to occur of (A) the Redemption Expiration Date (as defined in Section 6(b) below), or (B) the date on which the Corporation receives the written, irrevocable decision of the holder of Series A Preferred Stock not to require a Redemption pursuant to Section 6, if the Corporation receives aggregate gross proceeds of not less than Five Million Dollars (\$5,000,000) in one or more transactions for the sale of its equity securities or securities convertible into, or exchangeable for, equity securities (other than the transaction pursuant to which the Series A Preferred Stock is being issued) (a "Mandatory Conversion"), at the office of the Corporation or any transfer agent for such stock, into such number of fully paid and non-assessable shares of Common Stock as is determined by dividing the Original Series A Issue Price by the Conversion Price, determined as hereinafter provided, in effect on the date the certificate evidencing such share is surrendered for conversion. The initial Conversion Price per share for shares of Series A Preferred Stock shall be the Original Series A Issue Price; provided, however, that the Conversion Price for the Series A Preferred Stock shall be subject to adjustment as set forth in subsection (c) of this Section 5.

(b) Mechanics of Conversion. In the case of a Voluntary Conversion, before any holder of Series A Preferred Stock shall be entitled to convert the same into shares of Common Stock, such holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for the Series A Preferred Stock, and shall give written notice to the Corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the shares of Common Stock are to be issued. In the case of a Mandatory Conversion, the Corporation shall give written notice to the holder of Series A Preferred Stock at the address indicated in the Corporation's stock ledger, not sooner than the earlier to occur of (i) the Redemption Expiration Date or (ii) the date on which the Corporation receives the written, irrevocable decision of the holder of Series A Preferred Stock not to require a Redemption pursuant to Section 6, of the satisfaction of the conditions for a Mandatory Conversion and promptly after receipt of such notice, the

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holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for the Series A Preferred Stock. In either case, the Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Series A Preferred Stock, or to the nominee or nominees of such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid (or, if consistent with the Corporation's practice of issuing shares of Common Stock, non-certificated shares of Common Stock represented by book-entry on the records of the Corporation or the Corporation's transfer agent). Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series A Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date.

(c) Adjustments to Conversion Price. The Conversion Price of the Series A Preferred Stock shall be subject to adjustment from time to time as follows:

(i) In the event the Corporation should, at any time or from time to time after the date upon which any shares of Series A Preferred Stock were first issued (the "Purchase Date"), fix a record date for the effectuation of a split or subdivision of the outstanding shares of Common Stock or the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock (hereinafter referred to as "Common Stock Equivalents") without payment of any consideration by such holder for the additional shares of Common Stock or the Common Stock Equivalents (including the additional shares of Common Stock issuable upon conversion or exercise thereof), then, as of such record date (or the date of such dividend distribution, split or subdivision if no record date is fixed), the Conversion Price of the Series A Preferred Stock shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase of the aggregate of shares of Common Stock outstanding and those issuable with respect to such Common Stock Equivalents.

(ii) If the number of shares of Common Stock outstanding at any time after the Purchase Date is decreased by a combination of the outstanding shares of Common Stock, then, following the record date of such combination, the Conversion Price for the Series A Preferred Stock shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in outstanding shares.

(d) Other Distributions. In the event the Corporation shall declare a distribution payable in securities of other persons, evidences of indebtedness issued by the Corporation or other persons, assets (excluding cash dividends) or options or rights

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not referred to in Subsection 5(c)(i), then, in each such case for the purpose of this Subsection 5(d), the holders of the Series A Preferred Stock shall be entitled to a proportionate share of any such distribution as though they were the holders of the number of shares of Common Stock of the Corporation into which their shares of Series A Preferred Stock are convertible as of the record date fixed for the determination of the holders of Common Stock of the Corporation entitled to receive such distribution.

(c) Recapitalizations. If at any time or from time to time there shall be a recapitalization of the Common Stock (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in this Section 5) provision shall be made so that the holders of the Series A Preferred Stock shall thereafter be entitled to receive upon conversion of the Series A Preferred Stock the number of shares of stock or other securities or property of the Corporation or otherwise, to which a holder of Common Stock deliverable upon conversion would have been entitled on such recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 5 with respect to the rights of the holders of the Series A Preferred Stock after the recapitalization to the end that the provisions of this Section 5 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Series A Preferred Stock) shall be applicable after that event as nearly equivalent as may be practicable.

(f) Fractional Shares. No fractional shares shall be issued upon conversion of any share or shares of the Series A Preferred Stock, and the number of shares of Common Stock to be issued shall be rounded to the nearest whole share. Whether or not fractional shares are issuable upon such conversion shall be determined on the basis of the total number of shares of Series A Preferred Stock the holder is at the time converting into Common Stock and the number of shares of Common Stock issuable upon such aggregate conversion.

(g) Reservation of Stock Issuable Upon Conversion. The Corporation shall reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Series A Preferred Stock, such number of its shares of Common Stock as shall from time to time be deemed sufficient to effect the conversion of all outstanding shares of the Series A Preferred Stock.

6. Redemption Rights.

(a) Right of Redemption. At any time prior to conversion pursuant to Section 5, the holder of Series A Preferred Stock may, on one occasion, in its sole and absolute discretion, cause the Corporation to redeem all, but not less than all, such securities held by such holder (the "Redeemed Securities"), if an Event of Redemption has taken place (a "Redemption"). An "Event of Redemption" shall mean the Corporation's reporting, in its periodic reports filed with the Securities and Exchange Commission, less than \$60 million of net revenues for the four quarters prior to and including the quarter ending on September 30, 2016.

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(b) Mechanics of Conversion. Before any holder of Series A Preferred Stock shall be entitled to cause the Corporation to redeem the Redeemed Securities, such holder shall give written notice (the "Redemption Notice" and the date on which the Redemption Notice is given, the "Redemption Notice Date") to the Corporation at its principal corporate office, of the election to redeem the same, which Redemption Notice shall be irrevocable. The holder of Series A Preferred Stock may give a Redemption Notice any time after an Event of Redemption has occurred until the later to occur of (i) January 31, 2017 or (ii) sixty (60) days after the date on which the Corporation files its periodic report with the Securities and Exchange Commission for the quarter ending on September 30, 2016 (the "Redemption Expiration Date"); no Redemption Notice shall be given or recognized by the Corporation after the Redemption Expiration Date.

(c) Redemption Price. The Corporation shall pay to the holder of the Redeemed Shares the aggregate original price paid by such holder, or its predecessor or antecedent holder for the Series A Preferred Stock, together with interest at a rate of ten percent (10%) per annum commencing on the Redemption Notice Date through and including the day immediately preceding the date on which the Redemption Closing (as defined in Section 6(d)) is held (the "Redemption Price").

(d) Redemption Closing. The Corporation shall schedule a closing in respect of the Redemption (the "Redemption Closing"), upon not less than ten (10) business days' written notice to the holder, on a date not later than the one (1) year anniversary of the Redemption Notice Date. At the Redemption Closing, the holder of the Redeemed Shares shall surrender the certificate or certificates therefor, duly endorsed, and the Corporation shall pay the Redemption Price to the holder of the Redeemed Shares, in cash or by wire transfer.

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FURTHER RESOLVED, that the statements contained in the foregoing resolutions creating and designating the said Series A Convertible issue of Preferred Shares and fixing the number, powers, preferences and relative, optional, participating, and other special rights and the qualifications, limitations, restrictions, and other distinguishing characteristics thereof shall, upon the effective date of said series, be deemed to be included in and be a part of the certificate of incorporation of the Corporation pursuant to the provisions of Sections 104 and 151 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said Corporation has caused this Certificate to be signed by its Secretary, this 14th day of October, 2015. The signature below shall constitute the affirmation or acknowledgment of the signatory, under penalties of perjury, that the instrument is the act and deed of the Corporation and that the facts stated herein are true.



Warren Hosseinion,
Chief Executive Officer

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Apollo Medical Holdings, Inc.

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ARTICLE I--OFFICES

Section 1.1 Principal Office

The principal executive office of the corporation shall be such location as deemed necessary from time to time by the Board of Directors.

Section 1.2 Other Offices

The corporation may also have such other offices, either within or without the State of Delaware, as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II--SHAREHOLDERS

Section 2.1 Annual Meeting

An annual meeting of the shareholders, for the selection of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at the principal office of the corporation on the second Monday of January or, if such date shall fall on a holiday, the next business day thereafter. The Board of Directors may change the date or elect to have no annual meeting for a particular year. If the election of directors is not held on the day designated for any annual meeting of the shareholders or at any adjournment of the meeting, the Board of Directors shall call for the election to be held at a special meeting of the Shareholders as soon thereafter as possible.

Section 2.2 Special Meetings

Special meetings of the shareholders, for any purpose or purposes prescribed in the notice of the meeting, may be called by the Board of Directors, the president, the chief executive officer, or the holders of not less than one-tenth of all the shares entitled to vote at the meeting, and shall be held at such place, on such date, and at such time as they or he shall fix.

Section 2.3 Notice of Meetings

Written notice of the place, date and time of all meetings of the shareholders shall be given, not less than ten nor more than fifty days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or required by law (meaning, here and hereinafter, as required from time to time by the corporation statutes of the State of Delaware).

When a meeting is adjourned to another place, date or time, written notice need not be given of the adjourned meeting if the place, date and time thereof are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than thirty days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the place, date, and time of the adjourned meeting shall be given in conformity herewith. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

Section 2.4 Quorum

At any meeting of the shareholders, the holders of a majority of all of the shares of the stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum for all purposes, unless or except to the extent that the presence of a larger number may be required by law.

If a quorum shall fail to attend any meeting, the chairman of the meeting or the holders of a majority of the shares of the stock entitled to vote who are present, in person or by proxy, may adjourn the meeting to another place, date or time.

If a notice of any adjourned special meeting of shareholders is sent to all shareholders entitled to vote thereat, stating that it will be held with those present constituting a quorum, then except as otherwise required by law, those present at such adjourned meeting shall constitute a quorum, and all matters shall be determined by a majority of the votes cast at such meeting.

Section 2.5 Organization

Such person as the Board of Directors may have designated or, in the absence of such a person, the highest ranking officer of the corporation who is present shall call to order any meeting of the shareholders and act as chairman of the meeting. In the absence of the Secretary of the corporation, the secretary of the meeting shall be the person the chairman appoints.

Section 2.6 Conduct of Business

The chairman of any meeting of shareholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him in order.

Section 2.7 Proxies and Voting

At any meeting of the shareholders, every shareholder entitled to vote may vote in person or by proxy authorized by an instrument in writing filed in accordance with the procedure established for the meeting.

Each shareholder shall have one vote for every share of stock entitled to vote which is registered in his name on the record date for the meeting, except as otherwise provided herein or required by law.

All voting, except on the election of directors and where otherwise required by law, may be by a voice vote; provided, however, that upon demand therefor by a shareholder entitled to vote or his proxy, a stock vote shall be taken. Every stock vote shall be taken by ballots, each of which shall state the name of the shareholder or proxy voting and such other information as may be required under the procedure established for the meeting. Every vote taken by ballots shall be counted by an inspector or inspectors appointed by the chairman of the meeting.

If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders, unless the vote of a greater number or voting by class is required by law, the Articles of Incorporation, or these By-laws.

Section 2.8 Shareholder Action By Written Consent

Any action which may be taken at a meeting of the Shareholders may be taken by written consent without a meeting if such action is taken in conformance with the Delaware Corporations Code.

Section 2.9 Stock List

A complete list of shareholders entitled to vote at any meeting of shareholders, arranged in alphabetical order for each class of stock and showing the address of each such shareholder and the number of shares registered in his name, shall be open to the examination of any such shareholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held.

The Stock list shall also be kept at the place of the meeting during the whole time thereof and shall be open to the examination of any such shareholder who is present. This list shall presumptively determine the identity of the shareholders entitled to vote at the meeting and the number of shares held by each of them.

Section 2.10 Meetings by Telecommunication

Any meeting of the shareholders may be conducted through the use of any means of communication which allows persons participating in the meeting to hear one another.

ARTICLE III--BOARD OF DIRECTORS

Section 3.1 Number and Term of Office

The authorized number of directors shall be fixed from time to time by the board of directors, provided that the authorized number of directors shall not be less than one (1). Each director shall be selected for a term of one year and until his successor is elected and qualified, except as otherwise provided herein or required by law.

Whenever the authorized number of directors is increased between annual meetings of the shareholders, a majority of the directors then in office shall have the power to elect such new directors for the balance of a term and until their successors are elected and qualified. Any decrease in the authorized number of directors shall not become effective until the expiration of the term of the directors then in office unless, at the time of such decrease, there shall be vacancies on the board which are being eliminated by the decrease.

Section 3.2 Vacancies

Vacancies in the board of directors may be filled by a majority vote of the remaining directors, though less than a quorum, by a sole remaining director, or by the shareholders. Each director so elected shall hold office until a successor is elected at an annual or a special meeting of the shareholders.

A vacancy in the board of directors shall be deemed to exist in case of the death, resignation or removal of any director; if the authorized number of directors is increased; or if the shareholders fail to elect the full authorized number of directors.

The shareholders may elect a director at any time to fill any vacancy not filled by the directors. If the board of directors accepts the resignation of a director tendered to take effect at a future time, the board or the shareholders shall have power to elect a successor to take office when the resignation is to become effective.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of the director's term of office.

Section 3.3 Regular Meetings

Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all directors. A notice of each regular meeting shall not be required.

Section 3.4 Special Meetings

Special meetings of the Board of Directors may be called by one-third of the directors then in office or by the chief executive officer and shall be held at such place, on such date and at such time as they or he shall fix. Notice of the place, date and time of each such special meeting shall be given by each director by whom it is not waived by mailing written notice not less than three days before the meeting or by telegraphing the same not less than eighteen hours before the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

Section 3.5 Quorum

At any meeting of the Board of Directors, a majority of the total number of the whole board shall constitute a quorum for all purposes. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date or time, without further notice or waiver thereof.

Section 3.6 Participation in Meetings by Conference Telephone

Members of the Board of Directors or of any committee thereof, may participate in a meeting of such board or committee by means of conference telephone or similar communications equipment that enables all persons participating in the meeting to hear each other. Such participation shall constitute presence in person at such meeting.

Section 3.7 Conduct of Business

At any meeting of the Board of Directors, business shall be transacted in such order and manner as the board may from time to time determine, and all matters shall be determined by the vote of a majority of the directors present, except as otherwise provided herein or required by law. Action may be taken by the Board of Directors without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors.

Section 3.8 Powers

The Board of Directors may, except as otherwise required by law, exercise all such powers and do all such acts and things as may be exercised or done by the corporation, including, without limiting the generality of the foregoing, the unqualified power:

- (a) To declare dividends from time to time in accordance with law;
- (b) To purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;
- (c) To authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, and to do all things necessary in connection therewith;
- (d) To remove any officer of the corporation with or without cause, and from time to time to devolve the powers and duties of any officer upon any other person for the time being;
- (e) To confer upon any officer of the corporation the power to appoint, remove and suspend subordinate officers and agents;
- (f) To adopt from time to time such stock option, stock purchase, bonus or other compensation plans for directors, officers and agents of the corporation and its subsidiaries as it may determine;
- (g) To adopt from time to time such insurance, retirement and other benefit plans for directors, officers and agents of the corporation and its subsidiaries as it may determine; and
- (h) To adopt from time to time regulations, not inconsistent with these By-laws, for the management of the corporation's business and affairs.

Section 3.9 Compensation of Directors

Directors, as such, may receive, pursuant to resolution of the Board of Directors, fixed fees and other compensation for their services as directors, including, without limitation, their services as members of committees of the directors.

Section 3.10 Interested Directors

a) No contract or transaction between the corporation and one or more of its directors or officers, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers, are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board or committee which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if;

(1) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(2) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or

(3) The contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee or the shareholders.

b) Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Section 3.11 Loans

The corporation shall not lend money to or use its credit to assist its officers, directors or other control persons without authorization in the particular case by the shareholders, but may lend money to and use its credit to assist any employee, excluding such officers, directors or other control persons of the corporation or of a subsidiary, if such loan or assistance benefits the corporation.

ARTICLE IV--COMMITTEES

Section 4.1 Committees of the Board of Directors

The Board of Directors, by a vote of a majority of the whole board, may from time to time designate committees of the board, with such lawfully powers and duties as it thereby confers, to serve at the pleasure of the board and shall, for those committees and any others provided for herein, elect a director or directors to serve as the member or members, designating, if it desires, other directors as alternative members who may replace any absent or disqualified member at any meeting of the committee. Any committee so designated may exercise the power and authority of the Board of Directors to declare a dividend or to authorize the issuance of stock if the resolution which designates the committee or a supplemental resolution of the Board of Directors shall so provide. In the absence or disqualification of any member of any committee and any alternate member in his place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

Section 4.2 Conduct of Business

Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provisions shall be made for notice to members of all meetings; a majority of the members shall constitute a quorum unless the committee shall consist of one or two members, in which event one member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of such committee.

ARTICLE V--OFFICERS

Section 5.1 Generally

The officers of the corporation shall consist of a president, one or more vice-presidents, a secretary, a treasurer and such other subordinate officers as may from time to time be appointed by the Board of Directors. Officers shall be elected by the Board of Directors, which shall consider that subject at its first meeting after every annual meeting of shareholders. Each officer shall hold his office until his successor is elected and qualified or until his earlier resignation or removal. Any number of offices may be held by the same person.

Section 5.2 President

The President shall be the chief executive officer of the corporation, except as set forth in Section 5.6 of this Article. Subject to the provisions of these By-laws and to the direction of the Board of Directors, he shall have the responsibility for the general management and control of the affairs and business of the corporation and shall perform all duties and have all powers which are commonly incident to the office of chief executive or which are delegated to him by the Board of Directors. He shall have power to sign all stock certificates, contracts and other instruments of the corporation which are authorized. He shall have general supervision and direction of all of the other officers and agents of the corporation.

Section 5.3 Vice-president

Each vice-president shall perform such duties as the Board of Directors shall prescribe. In the absence or disability of the President, the vice-president who has served in such capacity for the longest time shall perform the duties and exercise the powers of the President.

Section 5.4 Treasurer

The treasurer shall have the custody of the monies and securities of the corporation and shall keep regular books of account. He shall make such disbursements of the funds of the corporation as are proper and shall render from time to time an account of all such transactions and of the financial condition of the corporation.

Section 5.5 Secretary

The secretary shall issue all authorized notices for, and shall keep minutes of, all meetings of the shareholders and the Board of Directors and shall have charge of the corporate books.

Section 5.6 General Manager

The Board of Directors may employ and appoint a general manager who may, or may not, be one of the officers or directors of the corporation. If employed by the Board of Directors he shall be the chief operating officer of the corporation and, subject to the directions of the Board of Directors, shall have general charge of the business operations of the corporation and general supervision over its employees and agents. He shall have the exclusive management of the business of the corporation and of all of its dealings, but at all times subject to the control of the Board of Directors. Subject to the approval of the Board of Directors or a committee, he shall employ all employees of the corporation, or delegate such employment to subordinate officers, or division officers, or division chiefs, and shall have authority to discharge any person so employed. He shall make a report to the President and directors quarterly, or more often if required to do so, setting forth the results of the operations under his charge, together with suggestions regarding the improvement and betterment of the condition of the corporation, and shall perform such other duties as the Board of Directors shall require.

Section 5.7 Delegation of Authority

The Board of Directors may, from time to time, delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

Section 5.8 Removal

Any officer of the corporation may be removed at any time, with or without cause, by the Board of Directors.

Section 5.9 Action with Respect to Securities of Other Corporation

Unless otherwise directed by the Board of Directors, the president shall have power to vote and otherwise act on behalf of the corporation, in person or by proxy, at any meeting of shareholders of or with respect to any action of shareholders of any other corporation in which this corporation may hold securities and otherwise to exercise any and all rights and powers which this corporation may possess by reason of its ownership of securities in such other corporation.

ARTICLE VI--INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS

Section 6.1 Generally

The corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or items equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was lawful.

The corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorney's fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

Section 6.2 Expenses

To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 6.1 of this Article, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by him in connection therewith. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided in Section 6.3 of this Article upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the corporation as authorized in this Article.

Section 6.3 Determination by Board of Directors

Any indemnification under Section 6.1 of this Article (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 6.1 of this Article. Such determination shall be made by the Board of Directors by a majority vote of a quorum of the directors, or by the shareholders.

Section 6.4 Non-exclusive Right

The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any by-law, agreement, vote of shareholders or interested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 6.5 Insurance

The corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article.

The corporation's indemnity of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be reduced by any amounts such person may collect as indemnification (i) under any policy of insurance purchased and maintained on his behalf by the corporation or (ii) from such other corporation, partnership, joint venture, trust or other enterprise.

Section 6.6 Violation of Law

Nothing contained in this Article, or elsewhere in these By-laws, shall operate to indemnify any director or officer if such indemnification is for any reason contrary to law, either as a matter of public policy, or under the provisions of the Federal Securities Act of 1933, the Securities Exchange Act of 1934, or any other applicable state or federal law.

Section 6.7 Coverage

For the purposes of this Article, references to "the corporation" include all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation so that any person who is or was a director, officer, employee or agent of such a constituent corporation or is or was serving at the request of such a constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise shall stand in the same position under the provisions of this Article with respect to the resulting or surviving corporation as he would if he had served the resulting or surviving corporation in the same capacity.

ARTICLE VII--STOCK

Section 7.1 Certificates of Stock

The shares of stock of the corporation shall be represented by a certificate, unless and until the Board of Directors adopts a resolution permitting shares to be uncertificated. Notwithstanding the adoption of any such resolution providing for uncertificated shares, every holder of stock of the corporation theretofore represented by certificates and, upon request, every holder of uncertificated shares, shall be entitled to a certificate signed by, or in the name of the corporation by, the President or a vice-president, and by the secretary or an assistant secretary, or the treasurer or an assistant treasurer, certifying the number of shares owned by him. Any of or all the signatures on the certificate may be facsimile.

Section 7.2 Transfers of Stock

Stock of the corporation shall be transferable in the manner prescribed by applicable law and in these By-laws. Transfers of stock shall be made on the books of the corporation, and in the case of certificated shares of stock, only by the person named in the certificate or by such person's attorney lawfully constituted in writing and, except where a certificate is issued in accordance with Section 7.4 of this Article, upon the surrender of the certificate therefor, properly endorsed for transfer and payment of all necessary transfer taxes; or, in the case of uncertificated shares of stock, upon receipt of proper transfer instructions from the registered holder of the shares or by such person's attorney lawfully constituted in writing, and upon payment of all necessary transfer taxes and compliance with appropriate procedures for transferring shares in uncertificated form; provided, however, that such surrender and endorsement, compliance or payment of taxes shall not be required in any case in which the officers of the corporation shall determine to waive such requirement. With respect to certificated shares of stock, every certificate exchanged, returned or surrendered to the corporation shall be marked "Cancelled," with the date of cancellation, by the secretary or assistant secretary of the corporation or the transfer agent thereof. No transfer of stock shall be valid as against the corporation for any purpose until it shall have been entered in the stock records of the corporation by an entry showing from and to whom transferred.

Section 7.3 Record Date

The Board of Directors may fix a record date, which shall not be more than fifty nor less than ten days before the date of any meeting of shareholders, nor more than fifty days prior to the time for the other action hereinafter described, as of which there shall be determined the shareholders who are entitled: to notice of or to vote at any meeting of shareholders or any adjournment thereof; to express consent to corporate action in writing without a meeting; to receive payment of any dividend or other distribution or allotment of any rights; or to exercise any rights with respect of any change, conversion or exchange of stock or with respect to any other lawful action.

Section 7.4 Lost, Stolen or Destroyed Certificates

In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the Board of Directors may establish concerning proof of such loss, theft or destruction and concerning the giving of a satisfactory bond or bonds of indemnity.

Section 7.5 Regulations

The issue, transfer, conversion and registration of certificates of stock shall be governed by such other regulations as the Board of Directors may establish.

ARTICLE VIII--NOTICES

Section 8.1 Notices

Whenever notice is required to be given to any shareholder, director, officer, or agent, such requirement shall not be construed to mean personal notice. Such notice may in every instance be effectively given by depositing a writing in a post office or letter box, in a postpaid, sealed wrapper, or by dispatching a prepaid telegram, addressed to such shareholder, director, officer, or agent at his or her address as the same appears on the books of the corporation. The time when such notice is dispatched shall be the time of the giving of the notice.

Section 8.2 Waivers

A written waiver of any notice, signed by a shareholder, director, officer or agent, whether before or after the time of the event for which notice is given, shall be deemed equivalent to the notice required to be given to such shareholder, director, officer or agent. Neither the business nor the purpose of any meeting need be specified in such a waiver.

ARTICLE IX--MISCELLANEOUS

Section 9.1 Facsimile Signatures

In addition to the provisions for the use of facsimile signatures elsewhere specifically authorized in these By-laws, facsimile signatures of any officer or officers of the corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

Section 9.2 Corporate Seal

The Board of Directors may provide a suitable seal, containing the name of the corporation, which seal shall be in the charge of the secretary. If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the treasurer or by the assistant secretary or assistant treasurer.

Section 9.3 Reliance upon Books, Reports and Records

Each director, each member of any committee designated by the Board of Directors, and each officer of the corporation shall, in the performance of his duties, be fully protected in relying in good faith upon the books of account or other records of the corporation, including reports made to the corporation by any of its officers, by an independent certified public accountant, or by an appraiser selected with reasonable care.

Section 9.4 Fiscal Year

The fiscal year of the corporation shall be as fixed by resolution of the Board of Directors.

Section 9.5 Time Periods

In applying any of these By-laws which require that an act be done or not done a specified number of days prior to any event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded and the day of the event shall be included.

ARTICLE X--AMENDMENTS

Section 10.1 Amendments

These By-laws, or any portion hereof, may be amended or repealed by the Board of Directors at any meeting or by the shareholders at any meeting.

CERTIFICATE OF AMENDMENT OF RESTATED BY-LAWS, AS AMENDED

I, the undersigned, do hereby certify:

(1) That I am duly elected and acting Chief Executive Officer of Apollo Medical Holdings, Inc., a Delaware corporation; and

(2) That by Unanimous Written Consent of the Board of Directors of the corporation effective October 12, 2015, the first sentence of Section 3.1, Article III of the corporation's Restated By-laws was amended to read in full as follows:

"The authorized number of directors shall be fixed from time to time by the board of directors, provided that the authorized number of directors shall not be less than one (1)."

IN WITNESS WHEREOF, I have hereunto subscribed my name as of October 12, 2015.

/s/ Warren Hosseinion
Warren Hosseinion, M.D.,
Chief Executive 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 report on Form 10-Q 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 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 report;

4. Apollo Medical Holdings, Inc. other certifying officer 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 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 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. Apollo Medical Holdings, Inc. other certifying officer and I are 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 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: November 16, 2015

By: Warren Hosseinion M.D.

/s/ Warren Hosseinion M.D.

Chief Executive Officer

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

I, William Abbott, Chief Financial Officer, certify that:

1. I have reviewed this report on Form 10-Q 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 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 report;
4. Apollo Medical Holdings, Inc. other certifying officer 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 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 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. Apollo Medical Holdings, Inc. other certifying officer and I are 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 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: November 16, 2015

By: William R. Abbott
/s/ William R. Abbott
Chief Financial Officer

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 Report of Apollo Medical Holdings, Inc. (the "Company") on Form 10-Q for the three months ended September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Warren Hosseinion, Chief Executive Officer of the Company, certify 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: November 16, 2015

By: Warren Hosseinion M.D.

/s/ Warren Hosseinion M.D.

Chief Executive Officer

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 Report of Apollo Medical Holdings, Inc. (the "Company") on Form 10-Q for the three months ended September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William Abbott, Chief Financial Officer and Principal Accounting Officer of the Company, certify, 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: November 16, 2015

By: William R. Abbott
/s/ William R. Abbott
Chief Financial Officer
