

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

FORM 8-K

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

Date of Report (Date of earliest event reported): November 17, 2015

APOLLO MEDICAL HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation)

000-25809
(Commission File Number)

46,3837784
(I.R.S. Employer Identification Number)

700 N. Brand Blvd., Suite 1400, Glendale, CA 91203
(Address of principal executive offices) (zip code)

(818) 396-8050
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

On November 17, 2015, Apollo Medical Holdings, Inc. (the “Company”) entered into a Second Amendment and Conversion Agreement with NNA Nevada, Inc. (“NNA”), Warren Hosseinion, M.D. (“Hosseinion”) and Adrian Vazquez, M.D. (“Vazquez”) (the “Conversion Agreement”). Hosseinion is Chief Executive Officer, Director and a more than 5% shareholder of the Company and Vazquez its Chief Medical Officer and a more than 5% shareholder of the Company.

Pursuant to the Conversion Agreement, the Company agreed to issue 275,000 shares of Common Stock and to pay accrued and unpaid interest of \$47,112, to NNA in full satisfaction of NNA’s conversion and other rights under the 8% Convertible Note dated March 28, 2014, issued by the Company to NNA, in the principal amount of \$2,000,000.

Pursuant to the Conversion Agreement, the Company also agreed to issue a total of 325,000 shares of Common Stock to NNA in exchange for all Warrants held by NNA, under which NNA had the right to purchase 300,000 shares of Common Stock at an exercise price of \$10 per share and 200,000 shares at an exercise price of \$20 per share, in each case subject to anti-dilution adjustments.

The Conversion Agreement amended certain terms of the Registration Rights Agreement, dated March 28, 2014, between the Company and NNA, with respect to the timing of the filing deadline for a resale registration statement covering NNA’s registrable securities.

The Conversion Agreement amended the Investment Agreement, dated March 28, 2014, between the Company and NNA, (i) to delete NNA’s right to subscribe to purchase a pro rata share of certain new equity securities that may be issued by the Company in the future and (ii) to provide that NNA must hold at least 200,000 shares of Common Stock to have the right (y) to appoint a representative to attend all meetings of the Company’s Board of Directors and any committee thereof in a nonvoting observer capacity, and (z) to have a representative nominated as a member of the Company’s Board and each committee thereof, including without limitation the Company’s compensation committee.

Item 3.02 Unregistered Sales of Equity Securities.

On November 17, 2015, the Company agreed to issue a total of 600,000 shares of Common Stock to NNA pursuant to the Conversion Agreement as more fully described in Item 1.01 Entry into a Material Definitive Agreement, which is incorporated herein by this reference. The securities are being issued and sold to NNA 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 7.01 Regulation FD Disclosure.

Furnished as Exhibit 99.1 hereto is the Company's unaudited pro forma condensed consolidated balance sheet as of September 30, 2015, which is based upon the financial statements of the Company as filed on Form 10-Q with the Securities and Exchange Commission on November 16, 2015 and adjusted for (a) the issuance to Network Medical Management, Inc. of units, consisting of preferred stock and warrants to purchase the Company's common stock, (b) the retirement of a term loan and revolving credit facility with NNA, and (c) the conversion of the 8% Convertible Note and exercise of the related Warrants for common stock held by NNA as described in Item 1.01 Entry into a Material Definitive Agreement, all of which events occurred subsequent to September 30, 2015. The unaudited pro forma condensed consolidated balance sheet is being furnished at the request of Nasdaq in connection with the Company's application for the listing of its shares on the Nasdaq Capital Market, which has been conditionally approved. There is no assurance that the Company's shares will be accepted for listing on the Nasdaq Capital Market. See "Risk Factors – Risks Related to Ownership of Our Securities" in the Company's Form 10-K for the year ended March 31, 2015 filed with the Securities and Exchange Commission on July 14, 2015, which is incorporated herein by this reference.

The unaudited pro forma condensed consolidated balance sheet shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of such section, nor shall it be deemed incorporated by reference into any filing made by the Company under the Securities Act of 1933, as amended, or the Exchange Act, regardless of an general incorporation language in such filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 10.1 | Second Amendment and Conversion Agreement dated as of November 17, 2015, among Apollo Medical Holdings, Inc., NNA of Nevada, Inc., Warren Hosseinion, M.D. and Adrian Vazquez, M.D. |
| 99.1 | Unaudited Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2015. This Exhibit shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of such section, nor shall it be deemed incorporated by reference into any filing made by the Company under the Securities Act of 1933, as amended, or the Exchange Act, regardless of an general incorporation language in such filing. |

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 hereunto duly authorized.

Dated: November 19, 2015

APOLLO MEDICAL HOLDING, INC.

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

SECOND AMENDMENT AND CONVERSION AGREEMENT

This **SECOND AMENDMENT AND CONVERSION AGREEMENT** (this "Agreement"), dated as of November 17, 2015, is entered into among **APOLLO MEDICAL HOLDINGS, INC.**, a Delaware corporation ("Company"), **NNA OF NEVADA, INC.**, a Nevada corporation ("NNA"), **WARREN HOSSEINION, M.D.** and **ADRIAN VAZQUEZ, M.D.**

RECITALS

A. Reference is made to the Credit Agreement, dated as of March 28, 2014, between Company and NNA (as amended from time to time, the "Credit Agreement").

B. Reference is made to the Investment Agreement, dated as of March 28, 2014, between Company and NNA (as amended by the First Amendment and Acknowledgement, dated as of February 6, 2015, and as further amended by the amendments thereto, the "Investment Agreement").

C. Capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement and the Investment Agreement and in the Registration Rights Agreement, the Convertible Note and the Warrants (as such terms are defined in the Investment Agreement), as applicable.

STATEMENT OF AGREEMENT

NOW, THEREFORE, in consideration of the mutual provisions, covenants and agreements herein contained, the parties hereto hereby agree as follows:

ARTICLE I
AMENDMENTS AND CONVERSIONS

1.1 Subject to the terms and conditions set forth herein, upon payment in full of all Obligations owed to NNA by Company under the Credit Agreement, NNA shall receive from Company (i) 275,000 Shares of Common Stock of Company, together with payment in cash for all accrued and unpaid interest, in exchange for the Convertible Note and (ii) 325,000 Shares of Common Stock of Company in exchange for all Warrants (such shares received by NNA pursuant to clauses (i) and (ii), the "Exchange Shares"). Upon effectiveness of this Agreement pursuant to **Article III**, (i) the Convertible Note shall be fully converted and deemed to be satisfied in full pursuant to the last sentence of Section 3.3 of the Convertible Note and (ii) the Warrants shall be cancelled.

1.2 (i) The rights and obligations set forth in the Investment Agreement, the Registration Rights Agreement, the Shareholders Agreement and the other Transaction Documents, other than the subscription rights set forth in Section 6.3 of the Investment Agreement, shall remain in full force and effect; (ii) the Exchange Shares shall be treated in the Investment Agreement, the Registration Rights Agreement and the other Transaction Documents as Conversion Shares, Warrant Shares and Registrable Securities, as applicable; and (iii) the Requisite Holder Condition shall be satisfied as long as NNA holds any combination of Purchase Shares and Exchange Shares exceeding 200,000 shares of Common Stock.

1.3 The definition of “Effectiveness Target” set forth in Section 1 of the Registration Rights Agreement is hereby amended by replacing the reference to “750th” with “880th”.

1.4 The definition of “Filing Deadline” set forth in Section 1 of the Registration Rights Agreement is hereby amended by replacing the reference to “575th” with “790th”.

1.5 NNA hereby acknowledges that it has received payment in full of all Obligations owed to NNA by Company under the Credit Agreement and that, accordingly, (i) the Revolving Credit Commitment of NNA under the Credit Agreement is terminated without any further action and (ii) the “Termination Requirements” set forth in Section 8.4 of the Pledge and Security Agreement are satisfied.

1.6 Section 6.3 of the Investment Agreement is hereby amended in full by striking all of the provisions in such section.

ARTICLE II TAG ALONG RIGHTS

Each of Warren Hosseinion, M.D. and Adrian Vazquez, M.D. acknowledge that the terms and conditions of the Shareholders’ Agreement (the “Shareholders Agreement”), dated as of March 28, 2014, to which they are a party, together with NNA and Company, remain in full force and effect, including without limitation the tag along rights of NNA set forth in Section 3 thereof. This acknowledgement and confirmation of Warren Hosseinion, M.D. and Adrian Vazquez, M.D. is made and delivered to induce NNA to enter into this Agreement, and Warren Hosseinion, M.D. and Adrian Vazquez, M.D. acknowledges that NNA would not enter into this Agreement in the absence of the acknowledgement and confirmation contained herein. Notwithstanding the foregoing, each of Warren Hosseinion, M.D., Adrian Vazquez, M.D., NNA and Company hereby agree that the tag along rights provided to NNA pursuant to Section 3 of the Shareholders Agreement shall terminate when, and only so long as, Registration Statements covering all Registrable Securities remain continuously effective under the Securities Act until the last day of the Effectiveness Period as provided in Section 2(b) of the Registration Rights Agreement.

ARTICLE III CONDITIONS TO EFFECTIVENESS

This Agreement, including without limitation the amendments set forth in **Article I**, shall become effective on the date (such date being referred to as the “Effective Date”) when all of the conditions are satisfied:

- (i) NNA, Company, Warren Hosseinion, M.D. and Adrian Vazquez, M.D. shall have executed and delivered to each other counterparts of this Agreement;

(ii) NNA shall have received payment of accrued and outstanding interest under the Convertible Note through the Effective Date;

(iii) NNA shall have received certificates registered in the name of NNA representing the Exchange Shares, executed by a duly authorized officer of Company and authenticated by Company's Transfer Agent; and

(iv) the Exchange Shares shall have been duly authorized and reserved for issuance and shall have been authorized for quotation on the OTC Pink Marketplace, subject only to notice of issuance;

ARTICLE IV REPRESENTATIONS AND WARRANTIES

To induce NNA to enter into this Agreement and the transactions contemplated hereby, Company represents and warrants to NNA as of the Effective Date as follows:

4.1 Corporate Organization and Power. Company (i) is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware and (ii) is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the nature of its business or the ownership of its properties requires it to be so qualified, except where the failure to be so qualified, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

4.2 Authorization. Company has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery by Company of this Agreement, the issuance, sale and delivery of the Exchange Shares by Company, the compliance by Company with each of the provisions of this Agreement and the other Transaction Documents, and the consummation by Company of the transactions contemplated hereby and thereby (a) are within the corporate power and authority of Company (including such approval and authorization by Company Board required under the Laws of the State of Delaware and Company's certificate of incorporation and bylaws) and (b) have been duly authorized by all necessary corporate action of Company. This Agreement has been duly and validly executed and delivered by Company. Assuming due authorization, execution and delivery by NNA of this Agreement, this Agreement constitutes a valid and binding agreement of Company enforceable against it in accordance with its terms, except (i) as such enforcement is limited by bankruptcy, insolvency and other similar Laws affecting the enforcement of creditors' rights generally and (ii) for limitations imposed by general principles of equity.

4.3 Valid Issuance. The Exchange Shares, when issued and delivered in accordance with this Agreement, shall be duly and validly issued and outstanding, fully paid and non-assessable, and not subject to the preemptive or other similar rights of the stockholders of Company or any other Person.

4.4 No Conflicts; Consents and Approvals; No Violation. Neither the execution, delivery or performance by Company of this Agreement nor the consummation by Company of the transactions contemplated hereby or thereby shall (a) result in a breach or a violation of, any provision of its certificate of incorporation or bylaws; (b) constitute, with or without notice or the passage of time or both, a breach, violation or default, create a Lien, or give rise to any right of termination, modification, cancellation, prepayment, suspension, limitation, revocation or acceleration, under (i) any Law or (ii) any provision of any agreement or other instrument to which it is a party or pursuant to which any of it or any of its assets or properties is subject; or (c) require any consent, Order, approval or authorization of, notification or submission to, filing with, license or permit from, or exemption or waiver by, any Governmental Authority or any other Person (collectively, the "Consents, Approvals and Filings") on its part, except for (x) the Consents, Approvals and Filings required under the Securities Act, the Exchange Act and applicable state securities Laws and the Principal Trading Market, and (y) consents, authorizations and filings that have been (or on or prior to the Effective Date will have been) made or obtained and that are (or on the Effective Date will be) in full force and effect.

4.5 Capitalization. Company has registered its Common Stock pursuant to Section 12(b) of the Exchange Act. The Common Stock is currently quoted on the OTC Pink Marketplace (the "OTC Pink") maintained by the OTC Markets Group Inc. under the symbol "AMEH." Company has not received any oral or written notice that its Common Stock is not eligible or will become ineligible for quotation on the OTC Pink nor that its Common Stock does not meet all the requirements for the continuation of such quotation.

4.6 Offering: Investment Company Act.

(a) Assuming the accuracy of the representations and warranties of NNA set forth in **Article V**, the offer, sale, and issuance of the Exchange Shares, as contemplated hereby are or will be exempt from the registration requirements of the Securities Act and are or will have been registered or qualified (or are exempt from registration and qualification) under the registration or qualification requirements of all applicable state securities Laws.

(b) Company is not, and after giving effect to the issuance of the Exchange Shares will not be, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

**ARTICLE V
REPRESENTATIONS AND WARRANTIES OF NNA**

To induce Company to enter into this Agreement and the transactions contemplated hereby, NNA represents and warrants to Company as of the Effective Date as follows:

5.1 Securities Law Matters.

(a) NNA is acquiring the Exchange Shares for its own account, for investment and not with a view to, or for sale in connection with, the distribution thereof within the meaning of the Securities Act (it being understood that except as otherwise provided in this Agreement and the other Transaction Documents to which it is a party, NNA does not agree to hold the Securities for any minimum or other specific term and reserves the right to dispose of the Exchange Shares at any time in accordance with the Securities Act and state securities Laws applicable to such disposition).

(b) NNA is an “accredited investor,” as that term is as defined in Rule 501(a) of Regulation D under the Securities Act. NNA has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of its investment in the Exchange Shares and is capable of bearing the economic risks of such investment.

(c) NNA and its advisers have been furnished with all materials relating to the business, finances and operations of Company, its Subsidiaries and materials relating to the offer and sale of the Exchange Shares which have been requested by NNA or its advisers. NNA and its advisers have been afforded the opportunity to ask questions of Company’s management concerning Company and the Exchange Shares.

(d) NNA understands that except as provided in this Agreement or the Registration Rights Agreement, the sale or re-sale of the Exchange Shares has not been and is not being registered under the Securities Act or any applicable state securities Laws, and the Exchange Shares may not be offered, sold or otherwise transferred unless (i) the Exchange Shares are offered, sold or transferred pursuant to an effective registration statement under the Securities Act, or (ii) the Exchange Shares are offered, sold or transferred pursuant to an exemption from registration under the Securities Act and any applicable state securities Laws.

(e) The principal offices of NNA and the offices of NNA in which it made its decision to purchase the Exchange Shares are located in the State of Massachusetts.

5.2 Restricted Securities. NNA understands that the Exchange Shares have not been registered under the Securities Act, by reason of one or more exemptions from the registration provisions of the Securities Act. NNA understands that the Exchange Shares are “restricted securities” under applicable U.S. federal and state securities Laws and that, pursuant to these Laws, NNA must hold the Exchange Shares until such time as they are registered with the SEC and qualified by state authorities, or an exemption from such registration and qualification requirements is available. NNA acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Exchange Shares, and on requirements relating to Company which are outside of NNA’s control.

5.3 Legends. NNA understands that the Exchange Shares and any securities issued in respect of or exchange therefor, may be notated with one or all of the following legends:

(a) “THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH TRANSFER MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.”

(b) Any legend set forth in, or required by, the other Transaction Documents.

(c) Any legend required by the securities laws of any state to the extent such laws are applicable to the Exchange Shares represented by the certificate, instrument, or book entry so legended.

**ARTICLE VI
MISCELLANEOUS**

6.1 Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York (including Sections 5-1401 and 5-1402 of the New York General Obligations Law, but excluding all other choice of law and conflicts of law rules).

6.2 Full Force and Effect. Except as expressly provided herein, the Investment Agreement and the other Transaction Documents shall continue in full force and effect in accordance with the provisions thereof on the date hereof. As used in the Investment Agreement or any other Transaction Document, "hereinafter," "hereto," "hereof," and words of similar import shall, unless the context otherwise requires, mean the Investment Agreement or such other applicable Transaction Document after giving effect to this Agreement. Any reference to the Investment Agreement or any of the other Transaction Documents shall refer to the Investment Agreement and the applicable Transaction Documents as amended hereby.

6.3 Severability. To the extent any provision of this Agreement is prohibited by or invalid under the applicable law of any jurisdiction, such provision shall be ineffective only to the extent of such prohibition or invalidity and only in any such jurisdiction, without prohibiting or invalidating such provision in any other jurisdiction or the remaining provisions of this Agreement in any jurisdiction.

6.4 Successors and Assigns. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto.

6.5 Construction. The headings of the various sections and subsections of this Agreement have been inserted for convenience only and shall not in any way affect the meaning or construction of any of the provisions hereof.

6.6 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective duly authorized officers as of the date first above written.

COMPANY:

APOLLO MEDICAL HOLDINGS, INC.

By: /s/ Warren Hosseinion
Name: Warren Hosseinion
Title: CEO

NNA:

NNA OF NEVADA, INC.

By: /s/ Mark Fawcett
Name: Mark Fawcett
Title: Vice President & Treasurer

WARREN HOSSEINION, M.D.

/s/ Warren Hosseinion

ADRIAN VAZQUEZ, M.D.

/s/ Adrian Vazquez

The following unaudited pro forma condensed consolidated balance sheet shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of such section, nor shall it be deemed incorporated by reference into any filing made under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET OF APOLLO MEDICAL HOLDINGS, INC. AND SUBSIDIARIES

The following unaudited pro forma condensed consolidated balance sheet as of September 30, 2015 is based upon the financial statements of Apollo Medical Holdings, Inc. and Subsidiaries (“the Company”) as filed on Form 10-Q with the Securities and Exchange Commission on November 16, 2015 and adjusted to reflect the effect of the following transactions: (a) 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, for a purchase price of \$10,000,000, 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, (b) the retirement of the term loan and revolving credit facility which were issued in conjunction with the Credit Agreement (the “Credit Agreement”) between the Company and NNA of Nevada, Inc. (“NNA”) dated March 28, 2014, and (c) the conversion of the convertible note and exercise of the warrants associated with the NNA financial instruments for Common Stock issued in conjunction with the Investment Agreement (the “Investment Agreement”) between the Company and NNA dated March 28, 2014, in exchange for 600,000 shares of Common Stock pursuant to a Second Amendment and Conversion Agreement with NNA dated November 17, 2015 (the “Conversion Agreement”).

The unaudited pro forma adjustments related to the transactions noted above have been prepared based on existing U.S. generally accepted accounting principles, which are subject to change and interpretation. The valuation of Preferred Stock and Warrants requires extensive use of accounting estimates, assumptions and judgments to allocate the fair values, based on their respective estimated fair values.

APOLLO MEDICAL HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

| | 30-Sep-15 As Filed | Pro Forma Adjustments | 30-Sep-15 Pro-Forma |
|---|-----------------------|--------------------------|------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 3,924,922 | \$ 2,525,018a | \$ 6,449,940 |
| Accounts receivable, net | 4,015,715 | - | 4,015,715 |
| Other receivables | 289,064 | - | 289,064 |
| Due from Affiliates | 20,052 | - | 20,052 |
| Prepaid expenses | 410,013 | - | 410,013 |
| Total current assets | <u>8,659,766</u> | <u>2,525,018</u> | <u>11,184,784</u> |
| Deferred financing costs, net, non-current | 217,963 | (192,000)b | 25,963 |
| Property and equipment, net | 577,701 | - | 577,701 |
| Restricted cash | 530,000 | - | 530,000 |
| Intangible assets, net | 1,283,163 | - | 1,283,163 |
| Goodwill | 2,168,833 | - | 2,168,833 |
| Other assets | 212,146 | - | 212,146 |
| TOTAL ASSETS | <u>\$ 13,649,572</u> | <u>\$ 2,333,018</u> | <u>\$ 15,982,590</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY/(DEFICIT) | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 4,944,470 | \$ (88,865)c | \$ 4,855,605 |
| Medical liabilities | 1,337,187 | - | 1,337,187 |
| Note and line of credit payable, net of discount, current portion | 7,282,448 | (7,187,683)d | 94,765 |
| Convertible notes payable, net of discount, current portion | 2,549,476 | (1,474,246)d | 1,075,230 |
| Warrant liability | 1,315,846 | 1,606,376e | 2,922,222 |
| Total current liabilities | <u>17,429,427</u> | <u>(7,144,418)</u> | <u>10,285,009</u> |
| Deferred tax liability | 177,344 | - | 177,344 |
| TOTAL LIABILITIES | <u>17,606,771</u> | <u>(7,144,418)</u> | <u>10,462,353</u> |
| MEZZANINE EQUITY | | | |
| Series A Preferred stock, par value \$0.001; 5,000,000 shares authorized, none issued and outstanding as of June 30, 2015, 1,111,111 issued and outstanding pro forma | - | 7,077,778f | 7,077,778 |
| STOCKHOLDERS' EQUITY/(DEFICIT) | | | |
| Common Stock, par value \$0.001; 100,000,000 shares authorized, 4,863,389 shares issued and outstanding as of June 30, 2015, 5,463,389 issued and outstanding pro forma | 4,863 | 600g | 5,463 |
| Additional paid-in-capital | 16,670,718 | 3,059,400g | 19,730,118 |
| Accumulated deficit | (22,354,252) | (660,342)h | (23,014,594) |
| Stockholders' equity/(deficit) attributable to Apollo Medical Holdings, Inc. | (5,678,671) | 2,399,658 | (3,279,013) |
| Non-controlling interest | 1,721,472 | - | 1,721,472 |
| Total stockholders' equity/(deficit) | <u>(3,957,199)</u> | <u>2,399,658</u> | <u>(1,557,541)</u> |
| TOTAL LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY/(DEFICIT) | <u>\$ 13,649,572</u> | <u>\$ 2,333,018</u> | <u>\$ 15,982,590</u> |

See accompanying notes to unaudited pro forma condensed consolidated balance sheet.

Note 1 - Description of Transactions

Securities Purchase Agreement

On October 14, 2015, Company entered into the Agreement 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 later to occur of (i) January 31, 2017 or (ii) sixty (60) days after the date on which the Company files its periodic report with the Securities and Exchange Commission for the quarter ending on September 30, 2016 (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. In the case of a redemption event, any unexercised warrants will be redeemed at an aggregate of \$1 and exercised warrants will be redeemed based on what was paid by the holder upon exercise (currently \$9 per share).

NNA Term Loan, Revolving Credit Facility, Convertible Note and Warrants

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 the 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 (principal of \$6,282,500 and \$1,000,000 from the term loan and revolving line of credit facility with NNA, respectively) plus \$22,006 of accrued interest.

Note 1 - Description of Transactions, continued

Pursuant to the Conversion Agreement, the Company agreed to (a) issue 275,000 shares of Common Stock and to pay accrued and unpaid interest of \$69,119, to NNA in full satisfaction of NNA's conversion and other rights under the 8% Convertible Note dated March 28, 2014, issued by the Company to NNA, with an original principal amount of \$2,000,000 and carrying amount of \$1,559,836 and accrued interest of \$47,112 as of October 14, 2015, and (b) to issue a total of 325,000 shares of Common Stock to NNA in exchange for all warrants held by NNA (with a fair value of \$1,624,029 as of October 14, 2015), under which NNA had the right to purchase 300,000 shares of Common Stock at an exercise price of \$10 per share and 200,000 shares at an exercise price of \$20 per share, in each case subject to anti-dilution adjustments.

Note 2 - Basis of Presentation

The accompanying unaudited pro forma condensed consolidated balance sheet at September 30, 2015, included herein is based upon the unaudited financial statements of Apollo Medical Holdings, Inc. and Subsidiaries and was prepared under accounting principles generally accepted in the United States.

Note 3 - Unaudited Pro Forma Adjustments

Pro forma adjustments are presented to reflect the effects of the transactions noted above. The unaudited pro forma condensed consolidated balance sheet should be read in conjunction with the notes to the unaudited condensed consolidated financial statements of the Company as of and for the three and six months ended September 30, 2015, as filed on Form 10-Q on November 16, 2015.

Adjustments included in the column under the heading "Pro Forma Adjustments" represent the following:

- (a) To record the net proceeds received from the issuance of the Units amounting to \$2,695,493, net of the repayment of the principal balance of note payable of \$6,282,500 and line of credit of \$1,000,000 and accrued interest of \$22,007 as of October 14, 2015. Also, to record payment to NNA term loan of \$170,475, representing \$122,500 scheduled principal payment and \$47,975 for interest accrual for October 1-14, 2015.
- (b) To write off the unamortized deferred financing costs as of October 14, 2015 related to the NNA term loan, line of credit and convertible note payable.
- (c) To record interest accrual of \$28,229 from October 1 – 14, 2015, reduced by the sum of the interest payments of \$69,982 during the same period and accrued interest on the convertible note of \$47,112, which was not paid in cash, but included in the conversion into 275,000 shares of common stock.
- (d) To record the payoff of the term loan and revolving credit facility with carrying value of \$7,067,470, net of \$215,030 discount, as of October 14, 2015, plus \$122,500 installment payments for term loan less \$2,287 adjustment on debt discount of the term loan for the period from October 1-14, 2015. In addition, this is to record the conversion of the Company's convertible note with carrying amount of \$1,574,638, after the \$908,266 discount, as of October 14, 2015, reduced by the sum of the mark-to-market adjustment of the conversion feature liability as of October 14, 2015 of \$94,754 and \$5,638 adjustment on debt discount of the term loan for the period from October 1-14, 2015.
- (e) To record the fair value NMM warrant as of October 14, 2015 of \$2,922,222. Also, to record an increase in warrant liability of \$308,183 in connection with the mark-to-market adjustment as of October 14, 2015, reduced by the fair value amount of NNA warrant liability as of October 14, 2015 of \$1,624,029 that was exercised and converted into 325,000 shares of common stock.
- (f) To record the fair value of the series A preferred stock issued to NMM on October 14, 2015.

Note 3 - Unaudited Pro Forma Adjustments, continued

- (g) To record the issuance of an aggregate of 600,000 shares of common stock with an estimated fair value of \$3,060,000 for the conversion of the NNA convertible note and the exercise of its warrants.
- (h) To record the effects of accrued interest of \$28,229, debt discount and deferred financing costs amortization adjustments aggregating to \$9,922, mark-to-market adjustment as of October 14, 2015 of NNA conversion features and warrant liability of \$402,937 and the loss from extinguishment of NNA convertible note and warrant liability of \$219,254.