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

FORM 10-Q

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

For the quarterly period ended September 30, 2020

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

For the transition period from ___ to ___.

Commission File No. 001-37392

Apollo Medical Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation)	95-4472349 (I.R.S. Employer Identification Number)

1668 S. Garfield Avenue, 2nd Floor, Alhambra, California 91801
(Address of principal executive offices and zip code)

(626) 282-0288
(Registrant’s telephone number, including area code)

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, $0.001 par value per share	AMEH	Nasdaq Capital Market

As of November 2, 2020, there were 54,265,602 shares of common stock of the registrant, $0.001 par value per share, issued and outstanding

APOLLO MEDICAL HOLDINGS, INC.

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Glossary

The following abbreviations or acronyms that may be used in this document shall have the adjacent meanings set forth below:

Accountable Health Care	Accountable Health Care IPA, a Professional Medical Corporation
AHMC	AHMC Healthcare Inc.
AIPBP	All-Inclusive Population-Based Payments
Alpha Care	Alpha Care Medical Group, Inc.
AMG	AMG, a Professional Medical Corporation
AMH	ApolloMed Hospitalists, a Medical Corporation
AMM	Apollo Medical Management, Inc.
AP-AMH	AP-AMH Medical Corporation
APAACO	APA ACO, Inc.
APC	Allied Physicians of California, a Professional Medical Corporation
APC-LSMA	APC-LSMA Designated Shareholder Medical Corporation
BAHA	Bay Area Hospitalist Associates
Bright	Bright Health Company of California, Inc.
CDSC	Concourse Diagnostic Surgery Center, LLC
CMS	Centers for Medicare & Medicaid Services
CQMC	Critical Quality Management Corporation
CSI	College Street Investment LP, a California limited partnership
DMHC	California Department of Managed Healthcare
DMG	Diagnostic Medical Group
HSMSO	Health Source MSO Inc., a California corporation
ICC	AHMC International Cancer Center, a Medical Corporation
IPA	independent practice association
LMA	LaSalle Medical Associates
MMG	Maverick Medical Group, Inc.
MPP	Medical Property Partners
NGACO	Next Generation Accountable Care Organization
NMM	Network Medical Management, Inc.
PASC	Pacific Ambulatory Health Care, LLC
PMIOC	Pacific Medical Imaging and Oncology Center, Inc.
SCHC	Southern California Heart Centers
UCAP	Universal Care Acquisition Partners, LLC
UCI	Universal Care, Inc.
VIE	variable interest entity

INTRODUCTORY NOTE

Unless the context dictates otherwise, references in this Quarterly Report on Form 10-Q to the "Company," "we," "us," "our," and similar words are references to Apollo Medical Holdings, Inc., a Delaware corporation, and its consolidated subsidiaries and affiliated entities, as appropriate, including its consolidated variable interest entities ("VIEs") and "ApolloMed" refers to Apollo Medical Holdings, Inc.

The Centers for Medicare & Medicaid Services ("CMS") have not reviewed any statements contained in this Quarterly Report on Form 10-Q describing the participation of APA ACO, Inc. ("APAACO") in the Next Generation Accountable Care Organization ("NGACO") Model.

Trade names and trademarks of the Company and its subsidiaries referred to herein and their respective logos, are our property. This Quarterly Report on Form 10-Q may contain additional trade names and/or trademarks of other companies, which are the property of their respective owners. We do not intend our use or display of other companies' trade names and/or trademarks, if any, to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including, but not limited to, statements about the Company's guidance for the year ending December 31, 2020, any statements about our business (including the impact of the 2019 Novel Coronavirus (COVID-19) pandemic on our business), financial condition, operating results, plans, objectives, expectations and intentions, any guidance on, or projections of, earnings, revenue or other financial items, such as our projected capitation from CMS for the year ending December 31, 2020 or otherwise, and our future liquidity, including cash flows and any payments under the $545.0 million loan we made to our VIE, AP-AMH; any statements of any plans, strategies and objectives of management for future operations such as the material opportunities that we believe exist for our Company; any statements concerning proposed services, developments, mergers or acquisitions; any statements regarding the outlook on our NGACO Model or strategic transactions; any statements regarding management's view of future expectations and prospects for us; any statements about prospective adoption of new accounting standards or effects of changes in accounting standards; any statements regarding future economic conditions or performance; any statements of belief; any statements of assumptions underlying any of the foregoing; and other statements that are not historical facts. Forward-looking statements may be identified by the use of forward-looking terms such as "anticipate," "could," "can," "may," "might," "potential," "predict," "should," "estimate," "expect," "project," "believe," "think," "plan," "envision," "intend," "continue," "target," "seek," "contemplate," "budgeted," "will," "would," and the negative of such terms, other variations on such terms or other similar or comparable words, phrases or terminology. These forward-looking statements present our estimates and assumptions only as of the date of this Quarterly Report on Form 10-Q and are subject to change.

Forward-looking statements involve risks and uncertainties and are based on the current beliefs, expectations and certain assumptions of management. Some or all of such beliefs, expectations and assumptions may not materialize or may vary significantly from actual results. Such statements are qualified by important economic, competitive, governmental and technological factors that could cause our business, strategy, or actual results or events to differ materially from those in our forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in our Annual Report on Form 10-K, for the year ended December 31, 2019, filed with the SEC on March 16, 2020, including, the risk factors discussed under the heading "Risk Factors" in Part I, Item IA thereof. Although we believe that the expectations reflected in 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 significant risks and uncertainties that could cause actual conditions, outcomes and results to differ materially from those indicated by such statements.

PART I FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

APOLLO MEDICAL HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
(UNAUDITED)

	September 30, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	$ 166,082	$ 103,189
Restricted cash	—	75
Investment in marketable securities	118,309	116,539
Receivables, net	18,257	11,004
Receivables, net – related parties	41,518	48,136
Other receivables	3,988	16,885
Prepaid expenses and other current assets	12,119	10,315
Loan receivable	6,425	6,425
Loan receivable – related parties	—	16,500
Total current assets	366,698	329,068
Noncurrent assets		
Restricted cash	746	746
Land, property and equipment, net	10,929	12,130
Intangible assets, net	90,781	103,012
Goodwill	239,053	238,505
Investment in other entities – equity method	27,220	28,427
Investments in privately held entities	37,075	896
Operating lease right-of-use assets	19,298	14,248
Other assets	22,473	1,681
Total noncurrent assets	447,575	399,645
Total assets [(1)]	$ 814,273	$ 728,713
Liabilities, mezzanine equity and stockholders' equity		
Current liabilities		
Accounts payable and accrued expenses	$ 40,474	$ 27,279
Fiduciary accounts payable	3,986	2,027
Medical liabilities	57,455	58,725
Income taxes payable	16,169	4,529
Dividend payable	485	271
Finance lease liabilities	102	102
Operating lease liabilities	3,290	2,990

	September 30, 2020	December 31, 2019
Current portion of long-term debt	9,500	9,500
Total current liabilities	131,461	105,423
Noncurrent liabilities		
Deferred tax liability	11,659	18,269
Finance lease liabilities, net of current portion	337	416
Operating lease liabilities, net of current portion	16,616	11,373
Long-term debt, net of current portion and deferred financing costs	226,051	232,172
Total noncurrent liabilities	254,663	262,230
Total liabilities (1)	386,124	367,653
Commitments and contingencies (Note 11)		
Mezzanine equity		
Noncontrolling interest in Allied Physicians of California, a Professional Medical Corporation	198,731	168,725
Stockholders' equity		
Series A Preferred stock, $0.001 par value per share; 5,000,000 shares authorized (inclusive of all preferred stock, including Series B Preferred stock); 1,111,111 issued and zero outstanding	—	—
Series B Preferred stock, $0.001 par value per share; 5,000,000 shares authorized (inclusive of all preferred stock, including Series A Preferred stock); 555,555 issued and zero outstanding	—	—
Common stock, $0.001 par value per share; 100,000,000 shares authorized, 36,775,817 and 35,908,057 shares outstanding, excluding 17,475,707 and 17,458,810 treasury shares, as of September 30, 2020 and December 31, 2019, respectively	37	36
Additional paid-in capital	168,653	159,608
Retained earnings	59,714	31,905
	228,404	191,549
Noncontrolling interest	1,014	786
Total stockholders' equity	229,418	192,335
Total liabilities, mezzanine equity and stockholders' equity	$ 814,273	$ 728,713

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

(1) The Company's consolidated balance sheets include the assets and liabilities of its consolidated variable interest entities ("VIEs"). The consolidated balance sheets include total assets that can be used only to settle obligations of the Company's consolidated VIEs totaling $877.6 million and $849.3 million as of September 30, 2020 and December 31, 2019, respectively, and total liabilities of the Company's consolidated VIEs for which creditors do not have recourse to the general credit of the primary beneficiary of $113.0 million and $114.5 million as of September 30, 2020 and December 31, 2019, respectively. See Note 15 – Variable Interest Entities (VIEs) for further detail.

APOLLO MEDICAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue				
Capitation, net	$ 135,032	$ 130,807	$ 416,402	$ 305,548
Risk pool settlements and incentives	30,916	11,355	54,155	32,640
Management fee income	8,707	8,518	26,212	27,867
Fee-for-service, net	3,737	4,100	9,434	12,059
Other income	1,731	1,280	4,194	3,753
Total revenue	180,123	156,060	510,397	381,867
Operating expenses				
Cost of services	121,823	131,130	402,106	315,925
General and administrative expenses	16,270	7,950	39,660	30,031
Depreciation and amortization	4,674	4,920	14,004	13,793
Provision for doubtful accounts	—	—	—	(1,363)
Impairment of intangibles	—	1,994	—	1,994
Total expenses	142,767	145,994	455,770	360,380
Income from operations	37,356	10,066	54,627	21,487
Other (expense) income				
Income from equity method investments	403	2,054	3,291	1,162
Gain on sale of equity method investment	—	—	99,647	—
Interest expense	(2,466)	(828)	(8,007)	(1,350)
Interest income	752	509	2,544	1,305
Other income	130	2,620	1,514	2,832
Total other (expense) income, net	(1,181)	4,355	98,989	3,949
Income before provision for income taxes	36,175	14,421	153,616	25,436
Provision for income taxes	10,751	3,682	44,204	6,483
Net income	25,424	10,739	109,412	18,953
Net income attributable to noncontrolling interest	8,711	7,035	81,603	11,564
Net income attributable to Apollo Medical Holdings, Inc.	$ 16,713	$ 3,704	$ 27,809	$ 7,389
Earnings per share – basic	$ 0.46	$ 0.11	$ 0.77	$ 0.21
Earnings per share – diluted	$ 0.45	$ 0.10	$ 0.75	$ 0.20

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

APOLLO MEDICAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF MEZZANINE AND STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE DATA)
(UNAUDITED)

	Mezzanine Equity – Noncontrolling Interest in APC	Common Stock Outstanding		Additional Paid-in Capital	Retained Earnings	Noncontrolling Interest	Shareholders' Equity
		Shares	Amount				
Balance at January 1, 2020	$ 168,725	35,908,057	$ 36	$ 159,608	$ 31,905	$ 786	$ 192,335
Net (loss) income	(1,161)	—	—	—	4,052	95	4,147
Purchase of treasury shares	—	(16,897)	—	(301)	—	—	(301)
Purchase of noncontrolling interest	(125)	—	—	—	—	—	—
Shares issued for exercise of options and warrants	—	151,601	—	722	—	—	722
Share-based compensation	—	—	—	1,058	—	—	1,058
Dividends	(10,000)	—	—	—	—	—	—
Balance at March 31, 2020	$ 157,439	36,042,761	$ 36	$ 161,087	$ 35,957	$ 881	$ 197,961
Net income	73,667	—	—	—	7,044	291	7,335
Purchase of noncontrolling interest	(126)	—	—	—	—	—	—
Shares issued for vesting of restricted stock awards	—	24,453	—	—	—	—	—
Shares issued for exercise of options and warrants	—	242,299	—	2,283	—	—	2,283
Share-based compensation	—	—	—	852	—	—	852
Cancellation of restricted stock awards	—	—	—	(236)	—	—	(236)
Dividends	(20,000)	—	—	—	—	(347)	(347)
Balance at June 30, 2020	$ 210,980	36,309,513	$ 36	$ 163,986	$ 43,001	$ 825	$ 207,848
Net income	8,522	—	—	—	16,713	189	16,902
Purchase of noncontrolling interest	(771)	—	—	—	—	—	—
Shares issued for cashless exercise of warrants	—	66,517	—	—	—	—	—
Shares issued for exercise of options and warrants	—	399,787	1	4,019	—	—	4,020
Share-based compensation	—	—	—	648	—	—	648
Dividends	(20,000)	—	—	—	—	—	—
Balance at September 30, 2020	$ 198,731	36,775,817	$ 37	$ 168,653	$ 59,714	$ 1,014	$ 229,418

	Mezzanine Equity – Noncontrolling Interest in APC	Common Stock Outstanding Shares	Amount	Additional Paid-in Capital	Retained Earnings	Noncontrolling Interest	Shareholders' Equity
Balance at January 1, 2019	$ 225,117	34,578,000	$ 35	$ 162,723	$ 17,788	$ 998	$ 181,544
Net (loss) income	(3,000)	—	—	—	140	410	550
Purchase of treasury shares	(40)	(93,000)	—	—	—	—	—
Shares issued for exercise of options and warrants	155	17,000	—	140	—	—	140
Share-based compensation	202	2,000	—	143	—	—	143
Dividends	(10,000)	—	—	—	—	—	—
Balance at March 31, 2019	$ 212,434	34,504,000	$ 35	$ 163,006	$ 17,928	$ 1,408	$ 182,377
Net income	6,896	—	—	—	3,545	223	3,768
Shares issued for exercise of options and warrants	50	135,000	—	758	—	—	758
Share-based compensation	203	—	—	128	—	—	128
Dividends	—	—	—	—	—	(942)	(942)
Balance at June 30, 2019	$ 219,583	34,639,000	$ 35	$ 163,892	$ 21,473	$ 689	$ 186,089
Net income	6,285	—	—	—	3,704	751	4,455
Shares issued for exercise of options and warrants	—	184,000	—	1,502	—	—	1,502
Share-based compensation	202	—	—	128	—	—	128
Stock subscriptions	550	—	—	—	—	—	—
Stock issued in connection with a business combination	414	—	—	—	—	—	—
Cost related to issuance of preferred shares	(804)	—	—	—	—	—	—
Dividends	(50,000)	—	—	—	—	—	—
Balance at September 30, 2019	$ 176,230	34,823,000	$ 35	$ 165,522	$ 25,177	$ 1,440	$ 192,174

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

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

	Nine Months Ended September 30,	
	2020	**2019**
Cash flows from operating activities		
Net income	$ 109,412	$ 18,953
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	14,004	13,793
Impairment of intangibles	—	1,994
Amortization of debt issuance costs	1,004	—
Provision for doubtful accounts	—	(1,363)
Share-based compensation	2,558	1,006
Unrealized loss (gain) from investment in equity securities	23	(6)
Income from equity method investments	(3,291)	(1,162)
Gain on sale of equity method investments	(99,647)	—
Gain on loan assumption	—	(2,250)
Deferred tax	(6,137)	(186)
Changes in operating assets and liabilities, net of business combinations:		
Receivables, net	(6,953)	1,904
Receivables, net – related parties	6,618	5,864
Other receivables	12,898	(13,719)
Prepaid expenses and other current assets	(1,804)	(2,914)
Right-of-use assets	2,601	1,877
Other assets	(5,090)	(525)
Accounts payable and accrued expenses	12,644	4,868
Fiduciary accounts payable	1,958	196
Medical liabilities	(1,566)	(6,226)
Income taxes payable	11,642	(10,229)
Operating lease liabilities	(2,110)	(1,790)
Net cash provided by operating activities	48,764	10,085
Cash flows from investing activities		
Payments for business acquisition, net of cash acquired	—	(49,403)
Proceeds from repayment of loans receivable – related parties	16,500	—
Advances on loans receivable	—	(7,425)
Purchases of marketable securities	(1,793)	(20)
Purchases of investments – equity method	(500)	(2,949)
Proceeds from sale of equity method investment	52,743	—
Purchases of property and equipment	(553)	(807)
Dividend received	—	240
Net cash provided by (used in) investing activities	66,397	(60,364)
Cash flows from financing activities		
Repayment of bank loan and lines of credit	—	(52,640)

	Nine Months Ended September 30,	
	2020	2019
Dividends paid	(50,133)	(60,670)
Repayment of term loan	(7,125)	—
Payment of finance lease obligations	(78)	(76)
Proceeds from the exercise of stock options and warrants	6,552	2,400
Repurchase of shares	(1,559)	(40)
Borrowings on line of credit	—	289,600
Proceeds from common stock offering	—	755
Cost of debt and equity issuance costs	—	(5,622)
Net cash (used in) provided by financing activities	(52,343)	173,707
Net increase in cash, cash equivalents and restricted cash	62,818	123,428
Cash, cash equivalents and restricted cash, beginning of period	104,010	107,637
Cash, cash equivalents and restricted cash, end of period	$ 166,828	$ 231,065
Supplementary disclosures of cash flow information:		
Cash paid for income taxes	$ 37,900	$ 17,900
Cash paid for interest	6,961	1,000
Supplemental disclosures of non-cash investing and financing activities		
Dividend declared included in dividend payable	$ 485	$ 271
Deferred tax liability adjustment to goodwill	$ —	$ 11,540
Deferred tax liability adjustment related to warrant exercises	$ 473	$ —
APC stock issued in exchange for AMG	$ —	$ 414
Preferred shares received from sale of equity method investment	$ 36,179	$ —

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total amounts of cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows (in thousands):

	December 31,	
	2019	2018
Cash and cash equivalents	$ 103,189	$ 106,892
Restricted cash – current	75	—
Restricted cash – non-current	746	745
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 104,010	$ 107,637

	September 30,	
	2020	2019
Cash and cash equivalents	$ 166,082	$ 230,299
Restricted cash – current	—	20
Restricted cash – non-current	746	746
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 166,828	$ 231,065

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

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

1. Description of Business

Overview

Apollo Medical Holdings, Inc. ("ApolloMed") together with its affiliated physician groups and consolidated entities (collectively, the “Company”) is a leading physician-centric, technology-enabled healthcare management company. Leveraging its proprietary population health management and healthcare delivery platform, ApolloMed operates an integrated, value-based healthcare model, which aims to empower the providers in its network to deliver the highest quality of care to its patients in a cost-effective manner.

Headquartered in Alhambra, California, ApolloMed's subsidiaries include management services organizations ("MSOs"), affiliated independent practice associations ("IPAs") and a Next Generation Accountable Care Organization ("NGACO"). Network Medical Management, Inc. ("NMM") and Apollo Medical Management, Inc. ("AMM") are the administrative and managerial services companies for the affiliated physician owned professional corporations that contract with independent physicians to deliver medical services in-office and virtually under the Allied Physicians of California, a Professional Medical Corporation d.b.a. Allied Pacific of California IPA ("APC"), Alpha Care Medical Group, Inc. and Accountable Health Care IPA brands. These affiliates are supported by ApolloMed Hospitalists, a Medical Corporation ("AMH") and Southern California Heart Centers, a Medical Corporation ("SCHC"). The Company's NGACO operates under the APA ACO, Inc. ("APAACO") brand and participates in the Centers for Medicare & Medicaid Services program that allows provider groups to assume higher levels of financial risk and potentially achieve a higher reward from participation in the program's attribution-based risk sharing model.

The Company provides care coordination services to each major constituent of the healthcare delivery system, including patients, families, primary care physicians, specialists, acute care hospitals, alternative sites of inpatient care, physician groups and health plans. The Company’s physician network consists of primary care physicians, specialist physicians, and hospitalists.

NMM was formed in 1994 as an MSO for the purposes of providing management services to medical companies and IPAs. The management services primarily include billing, collection, accounting, administration, quality assurance, marketing, compliance, and education. Following a business combination, NMM became a wholly-owned subsidiary of ApolloMed in December 2017.

APC was incorporated in 1992, for the purpose of arranging healthcare services as an IPA. APC has contracts with various health maintenance organizations (“HMOs”) and other licensed healthcare service plans as defined in the California Knox-Keene Health Care Service Plan Act of 1975. Each HMO negotiates a fixed amount per member per month (“PMPM”) that is to be paid to APC. In return, APC arranges for the delivery of healthcare services by contracting with physicians or professional medical corporations for primary care and specialty care services. APC assumes the financial risk of the cost of delivering healthcare services in excess of the fixed amounts received. Some of the risk is transferred to the contracted physicians or professional corporations. The risk is also minimized by stop-loss provisions in contracts with HMOs.

In July 1999, APC entered into an amended and restated management and administrative services agreement with NMM (the initial management services agreement was entered into in 1997) for an initial fixed term of 30 years. In accordance with relevant accounting guidance, APC is determined to be a variable interest entity (“VIE”) of the Company as NMM is the primary beneficiary with the ability to direct the activities (excluding clinical decisions) that most significantly affect APC’s economic performance through its majority representation on the APC Joint Planning Board; therefore APC is consolidated by NMM.

AP-AMH Medical Corporation (“AP-AMH”) was formed in May 2019, as a designated shareholder professional corporation. Dr. Thomas Lam, a shareholder, and the Chief Executive Officer and Chief Financial Officer of APC and Co-Chief Executive Officer of ApolloMed, is the sole shareholder of AP-AMH. ApolloMed makes all the decisions on behalf of AP-AMH and funds and receives all the distributions from its operations. ApolloMed has the rights to receive benefits from the operations of AP-AMH and has the option, but not the obligation, to cover losses. Therefore, AP-AMH is controlled and consolidated by ApolloMed as the primary beneficiary of this VIE.

In September 2019, ApolloMed completed the following series of transactions with its affiliates, AP-AMH and APC;

1. ApolloMed loaned AP-AMH $545.0 million pursuant to a 10-year secured loan agreement (the “AP-AMH Loan”). The loan bears interest at a rate of 10% per annum simple interest, is not prepayable (except in certain limited circumstances), requires quarterly payments of interest only in arrears, and is secured by a first priority security interest in all of AP-AMH’s assets, including the shares of APC Series A Preferred Stock purchased by AP-AMH, as described below. To the extent that AP-AMH is unable to make any interest payment when due because it has received dividends on the APC Series A Preferred Stock insufficient to pay in full such interest payment, then the outstanding principal amount of the loan will be increased by the amount of any such accrued but unpaid interest, and any such increased principal amounts will bear interest at the rate of 10.75% per annum simple interest.

2. AP-AMH purchased 1,000,000 shares of APC Series A Preferred Stock for aggregate consideration of $545.0 million in a private placement. Under the terms of the APC Certificate of Determination of Preferences of Series A Preferred Stock (the “Certificate of Determination”), AP-AMH is entitled to receive preferential, cumulative dividends that accrue on a daily basis and that are equal to the sum of (i) APC’s net income from healthcare services (as defined in the Certificate of Determination), plus (ii) any dividends received by APC from certain of APC’s affiliated entities, less (iii) any Retained Amounts (as defined in the Certificate of Determination).

3. APC purchased 15,015,015 shares of ApolloMed’s common stock for total consideration of $300.0 million in private placement. In connection therewith, ApolloMed granted APC certain registration rights with respect to ApolloMed’s common stock that APC purchased, and APC agreed that APC votes in excess of 9.99% of ApolloMed’s then outstanding shares will be voted by proxy given to ApolloMed’s management, and that those proxy holders will cast the excess votes in the same proportion as all other votes cast on any specific proposal coming before ApolloMed’s stockholders.

4. ApolloMed licensed to AP-AMH the right to use certain trade names for certain specified purposes for a fee equal to a percentage of the aggregate gross revenues of AP-AMH. The license fee is payable out of any Series A Preferred Stock dividends received by AP-AMH from APC.

5. Through its subsidiary, NMM, the Company agreed to provide certain administrative services to AP-AMH for a fee equal to a percentage of the aggregate gross revenues of AP-AMH. The administrative fee also is payable out of any APC Series A Preferred Stock dividends received by AP-AMH from APC.

As part of the series of transaction, APC and AP-AMH entered into Second Amendment to Series A Preferred Stock Purchase Agreement clarifying the term excluded assets ("Excluded Assets"). Excluded Assets means (i) assets received from the sale of shares of the Series A Preferred equal to the Series A Purchase Price, (ii) the assets of the Company that are not Healthcare Services Assets, including the Company’s equity interests in Universal Care, Inc., Apollo Medical Holdings, Inc., and any entity that is primarily engaged in the business of owning, leasing, developing or otherwise operating real estate, (iii) any assets acquired with the proceeds of the sale, assignment or other disposition of any of the assets described in clauses (i) or (ii), and (iv) any proceeds of the assets described in clauses (i), (ii) and (iii).

APC's ownership in ApolloMed was 32.00% at September 30, 2020 and 32.50% at December 31, 2019.

Concourse Diagnostic Surgery Center, LLC (“CDSC”) was formed in March 2010 in the state of California. CDSC is an ambulatory surgery center in City of Industry, California organized by a group of highly qualified physicians, which utilizes some of the most advanced equipment in the eastern part of Los Angeles County and the San Gabriel Valley. The facility is Medicare certified and accredited by the Accreditation Association for Ambulatory Healthcare, Inc. As of September 30, 2020, APC owned 45.01% of CDSC’s capital stock. CDSC is determined to be a VIE and APC is determined to be the primary beneficiary. APC has the ability to direct the activities that most significantly affect CDSC’s economic performance and receives the most economic benefits; therefore CDSC is consolidated by APC.

APC-LSMA Designated Shareholder Medical Corporation (“APC-LSMA”) was formed in October 2012 as a designated shareholder professional corporation. Dr. Thomas Lam, a stockholder and the Chief Executive Officer and Chief Financial Officer of APC and Co-Chief Executive Officer of ApolloMed, is a nominee shareholder of APC. APC makes all investment decisions on behalf of APC-LSMA, funds all investments and receives all distributions from the investments. APC has the obligation to absorb losses and right to receive benefits from all investments made by APC-LSMA. APC-LSMA’s sole function is to act as the nominee shareholder for APC in other California medical professional corporations. Therefore, APC-LSMA is controlled and consolidated by APC as the primary beneficiary of this VIE. The only activity of APC-LSMA is to hold the investments in medical corporations, including the IPA lines of business of LaSalle Medical Associates (“LMA”), Pacific Medical Imaging and Oncology Center, Inc. (“PMIOC”), Diagnostic Medical Group (“DMG”) and AHMC International Cancer Center, a Medical Corporation (“ICC”). APC-LSMA also holds a 100% ownership interest in Maverick Medical Group,

Inc. (“MMG”), Alpha Care Medical Group, Inc. (“Alpha Care”), Accountable Health Care IPA, a Professional Medical Corporation (“Accountable Health Care”), and AMG, a Professional Medical Corporation (“AMG”).

Alpha Care, an IPA acquired by the Company in May 2019, has been operating in California since 1993 as a risk bearing organization engaged in providing professional services under capitation arrangements with its contracted health plans through a provider network consisting of primary care and specialty care physicians. Alpha Care specializes in delivering high-quality healthcare to its enrollees and focuses on Medi-Cal/Medicaid, Commercial, and Medicare and Dual Eligible members in the Riverside and San Bernardino counties of Southern California.

Accountable Health Care is a California-based IPA that has served the local community in the greater Los Angeles County area through a network of physicians and healthcare providers for more than 20 years. Accountable Health Care currently has a network of over 300 primary care physicians and 600 specialty care physicians, as well as one community and regional hospital medical center, that provides quality healthcare services to its members of three federally qualified health plans and multiple product lines, including Medi-Cal, Commercial, Medicare and the California Healthy Families program. In August 2019, APC and APC-LSMA acquired the remaining outstanding shares of Accountable Health Care’s capital stock that they did not already own (comprising 75%) for $7.3 million in cash (see Note 3).

AMG is a network of family practice clinics operating out of three main locations in Southern California. AMG provides professional and post-acute care services to Medicare, Medi-Cal/Medicaid, and Commercial patients through its network of doctors and nurse practitioners. In September 2019, APC-LSMA purchased 100% of the shares of capital stock of AMG for $1.2 million in cash and $0.4 million of APC common stock (see Note 3).

Universal Care Acquisition Partners, LLC (“UCAP”), a 100% owned subsidiary of APC, was formed in June 2014, for the purpose of holding an investment in Universal Care, Inc. (“UCI”). On April 30, 2020, UCAP completed the sale of its 48.9% ownership interest in UCI to Bright Health Company of California, Inc. ("Bright") for approximately $69.2 million in cash proceeds (including $16.5 million as repayment of indebtedness owed to APC), plus non-cash consideration consisting of shares of Bright Health, Inc.'s preferred stock having an estimated fair value of approximately $36.2 million on the date of sale. In addition, pursuant to the terms of the stock purchase agreement, APC has a beneficial interest in the equity method investment sold. The estimated fair value of such interest on April 30, 2020 was $15.7 million (see Note 5). As set forth in the Company’s definitive proxy statement filed with the SEC on July 31, 2019 (the “Proxy Statement”), the 48.9% interest in UCI is included in Excluded Assets that remain solely for the benefit of APC and its shareholders. As such, any proceeds or gain on the sale of APC’s indirect ownership interest in UCI has no impact on the Series A Dividend payable by APC to AP-AMH Medical Corporation as described in the Proxy Statement and consequently the sale did not affect net income attributable to ApolloMed.

APAACO, jointly owned by NMM and AMM, began participating in the Next Generation Accountable Care Organization (“NGACO") Model of the Centers for Medicare & Medicaid Services (“CMS”) in January 2017. The NGACO Model is a CMS program that allows provider groups to assume higher levels of financial risk and potentially achieve a higher reward from participating in this new attribution-based risk sharing model.

AMM, a wholly-owned subsidiary of ApolloMed, manages affiliated medical groups, ApolloMed Hospitalists, a Medical Corporation (“AMH”) and Southern California Heart Centers, a Medical Corporation (“SCHC”). AMH provides hospitalist, intensivist, and physician advisory services. SCHC is a specialty clinic that focuses on cardiac care and diagnostic testing.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated balance sheet at December 31, 2019, has been derived from the Company’s audited consolidated financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America (“U.S. GAAP”). The accompanying unaudited consolidated financial statements as of September 30, 2020, and for the three and nine months ended September 30, 2020 and 2019, have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements, and should be read in conjunction with the audited consolidated financial statements and related notes to the financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 as filed with the SEC on March 16, 2020. In the opinion of management, all material adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been made to make the consolidated financial statements not misleading as

required by Regulation S-X, Rule 10-01. Operating results for the three and nine months ended September 30, 2020, are not necessarily indicative of the results that may be expected for the year ending December 31, 2020, or any future periods.

Principles of Consolidation

The consolidated balance sheets as of September 30, 2020 and December 31, 2019, and the consolidated statements of income for the three and nine months ended September 30, 2020 and 2019, include the accounts of ApolloMed, its consolidated subsidiaries, NMM, AMM, and APAACO, its consolidated VIE, AP-AMH, NMM's consolidated subsidiaries, and consolidated VIE, APC, APC's subsidiary, UCAP, and APC's consolidated VIEs, CDSC, APC-LSMA, ICC, and APC-LSMA's consolidated subsidiaries Alpha Care and Accountable Health Care.

All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include collectability of receivables, recoverability of long-lived and intangible assets, business combination and goodwill valuation and impairment, accrual of medical liabilities (incurred, but not reported ("IBNR") claims), determination of full-risk and shared-risk revenue and receivables (including constraints and completion factors, including historical medical loss ratios ("MLR")), income taxes, valuation of share-based compensation and right-of-use ("ROU") assets and lease liabilities. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ materially from those estimates and assumptions.

Reportable Segments

The Company operates as one reportable segment, the healthcare delivery segment, and implements and operates innovative healthcare 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.

Cash and Cash Equivalents

The Company's cash and cash equivalents primarily consist of money market funds and certificates of deposit. The Company considers all highly liquid investments that are both readily convertible into known amounts of cash and mature within 90 days from their date of purchase to be cash equivalents.

The Company maintains its cash in deposit accounts with several banks, which at times may exceed the insured limits of the Federal Deposit Insurance Corporation ("FDIC"). The Company believes it is not exposed to any significant credit risk with respect to its cash, cash equivalents and restricted cash. As of September 30, 2020, the Company's deposit accounts with banks exceeded the FDIC's insured limit by approximately $321.2 million, including approximately $118.3 million in certificates of deposit that were recognized as investments in marketable securities. The Company has not experienced any losses to date and performs ongoing evaluations of these financial institutions to limit the Company's concentration of risk exposure.

Restricted Cash

Restricted cash consists of cash held as collateral to secure standby letters of credits as required by certain contracts.

Investments in Marketable Securities

The appropriate classification of investments is determined at the time of purchase and such designation is reevaluated at each balance sheet date. As of September 30, 2020 and December 31, 2019, investments in marketable securities amounted to approximately $118.3 million and $116.5 million, respectively, and consisted of equity securities and certificates of deposit with various financial institutions, reported at par value, plus accrued interest, with maturity dates from four months to 24 months (see fair value measurements of financial instruments below). Investments in certificates of deposits are classified as Level 1 investments in the fair value hierarchy.

Receivables and Receivables – Related Parties

The Company's receivables are comprised of accounts receivable, capitation and claims receivable, risk pool settlements and incentive receivables, management fee income and other receivables. Accounts receivable are recorded and stated at the amount expected to be collected.

The Company's receivables – related parties are comprised of risk pool settlements, management fee income and incentive receivables, and other receivables. Receivables – related parties are recorded and stated at the amount expected to be collected.

Capitation and claims receivable relate to each health plan's capitation and is received by the Company in the month following the month of service. Risk pool settlements and incentive receivables mainly consist of the Company's full risk pool receivable that is recorded quarterly based on reports received from the Company's hospital partners and management's estimate of the Company's portion of the estimated risk pool surplus for open performance years. Settlement of risk pool surplus or deficits occurs approximately 18 months after the risk pool performance year is completed. Other receivables consists of recoverable claims paid related to the 2019 APAACO performance year to be administered following instructions from CMS, fee-for-services ("FFS") reimbursement for patient care, certain expense reimbursements, transportation reimbursements from the hospitals, and stop loss insurance premium reimbursements.

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 analyzes 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.

Receivables are recorded when the Company is able to determine amounts receivable under applicable contracts and agreements based on information provided and collection is reasonably likely to occur. In regards to the credit loss standard, the Company continuously monitors its collections of receivables and our expectation is that the historical credit loss experienced across our receivable portfolio is materially similar to any current expected credit losses that would be estimated under the current expected credit losses (CECL) model. As of September 30, 2020 and December 31, 2019, the Company had $1.3 million and $2.9 million of allowance for doubtful accounts, respectively.

Concentrations of Risks

The Company disaggregates revenue from contracts by service type and payor type. This level of detail provides useful information pertaining to how the Company generates revenue by significant revenue stream and by type of direct contracts. The consolidated statements of income present disaggregated revenue by service type. The following table presents disaggregated revenue generated by payor type for the three and nine months ended September 30, 2020 and 2019 (in thousands):

	Three Months Ended September 30,	
	2020	**2019**
Commercial	$ 25,041	$ 25,429
Medicare	79,649	60,737
Medicaid	65,849	61,189
Other third parties	9,584	8,705
Revenue	$ 180,123	$ 156,060

	Nine Months Ended September 30,	
	2020	2019
Commercial	$ 75,233	$ 75,883
Medicare	206,567	155,730
Medicaid	200,746	122,837
Other third parties	27,851	27,417
Revenue	$ 510,397	$ 381,867

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

	Three Months Ended September 30,	
	2020	2019
Payor A	12.7 %	12.0 %
Payor B	*	11.7 %
Payor D	16.2 %	12.0 %
Payor E	16.7 %	19.9 %

	Nine Months Ended September 30,	
	2020	2019
Payor A	12.1 %	14.3 %
Payor B	10.1 %	13.3 %
Payor C	*	10.0 %
Payor D	17.0 %	*
Payor E	14.2 %	11.0 %

* Less than 10% of total net revenues

The Company had major payors that contributed to the following percentages of receivables and receivables – related parties:

	As of September 30, 2020	As of December 31, 2019
Payor D	16.7 %	*
Payor F	32.5 %	30.4 %
Payor G	29.2 %	36.0 %

* Less than 10% of total receivables and receivables — related parties, net

Fair Value Measurements of Financial Instruments

The Company’s financial instruments consist of cash and cash equivalents, fiduciary cash, restricted cash, investment in marketable securities, receivables, loans receivable, accounts payable, certain accrued expenses, finance lease obligations, and long-term debt. The carrying values of the financial instruments classified as current in the accompanying consolidated balance sheets are considered to be at their fair values, due to the short maturity of these instruments. The carrying amounts of finance lease obligations and long-term debt approximate fair value as they bear interest at rates that approximate current market rates for debt with similar maturities and credit quality.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurement* ("ASC 820"), applies to all financial assets and financial liabilities that are measured and reported on a fair value basis and requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. ASC 820 establishes a fair value hierarchy for disclosure of the inputs to valuations used to measure fair value.

This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1 — Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 — Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates and yield curves), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 — Unobservable inputs that reflect assumptions about what market participants would use in pricing the asset or liability. These inputs would be based on the best information available, including the Company's own data.

The carrying amounts and fair values of the Company's financial instruments as of September 30, 2020, are presented below (in thousands):

	Fair Value Measurements			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Money market funds*	$ 115,039	$ —	$ —	$ 115,039
Marketable securities – certificates of deposit	118,262	—	—	118,262
Marketable securities – equity securities	47	—	—	47
Total	$ 233,348	$ —	$ —	$ 233,348

The carrying amounts and fair values of the Company's financial instruments as of December 31, 2019, are presented below (in thousands):

	Fair Value Measurements			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Money market funds*	$ 50,731	$ —	$ —	$ 50,731
Marketable securities – certificates of deposit	116,469	—	—	116,469
Marketable securities – equity securities	70	—	—	70
Total	$ 167,270	$ —	$ —	$ 167,270

* Included in cash and cash equivalents

There have been no changes in Level 1, Level 2, or Level 3 classification and no changes in valuation techniques for these assets for the nine months ended September 30, 2020.

Intangible Assets and Long-Lived Assets

Intangible assets with finite lives include network-payor relationships, management contracts and member relationships and are stated at cost, less accumulated amortization and impairment losses. These intangible assets are amortized on the accelerated method using the discounted cash flow rate.

Intangible assets with finite lives also include a patient management platform, as well as trade names and trademarks, whose valuations were determined using the cost to recreate method and the relief from royalty method, respectively. These assets are stated at cost, less accumulated amortization and impairment losses, and are amortized using the straight-line method.

Finite-lived intangibles and long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the expected future cash flows from the use of such assets (undiscounted and without interest charges) are less than the carrying value, a write-down would be recorded to reduce the carrying value of the asset to its estimated fair value. Fair value is determined based on appropriate valuation techniques. The Company determined that there was no impairment of its finite-lived intangible or long-lived assets during the nine months ended September 30, 2020 and 2019.

Goodwill and Indefinite-Lived Intangible Assets

Under ASC 350, *Intangibles – Goodwill and Other*, goodwill and indefinite-lived intangible assets are reviewed at least annually for impairment.

At least annually, at the Company's fiscal year-end, or sooner if events or changes in circumstances indicate that an impairment has occurred, the Company performs a qualitative assessment to determine whether it is more likely than not that the fair value of each reporting unit is less than its carrying amount as a basis for determining whether it is necessary to complete quantitative impairment assessments for each of the Company's three main reporting units (1) management services, (2) IPAs, and (3) ACOs. The Company is required to perform a quantitative goodwill impairment test only if the conclusion from the qualitative assessment is that it is more likely than not that a reporting unit's fair value is less than the carrying value of its assets. Should this be the case, a quantitative analysis is performed to identify whether a potential impairment exists by comparing the estimated fair values of the reporting units with their respective carrying values, including goodwill.

An impairment loss is recognized if the implied fair value of the asset being tested is less than its carrying value. In this event, the asset is written down accordingly. The fair values of goodwill are determined using valuation techniques based on estimates, judgments and assumptions management believes are appropriate in the circumstances.

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

The Company had no impairment of its goodwill or indefinite-lived intangible assets during the three and nine months ended September 30, 2020. However, during the three and nine months ended September 30, 2019, the Company recorded impairment of indefinite-lived intangible assets of $2.0 million related to Medicare licenses it acquired as part of the 2017 merger between ApolloMed and NMM. The Company will no longer utilize the licenses and as such will not receive future economic benefits therefrom.

Investments in Other Entities — Equity Method

The Company accounts for certain investments using the equity method of accounting when it is determined that the investment provides the Company with the ability to exercise significant influence, but not control, over the investee. Significant influence is generally deemed to exist if the Company has an ownership interest in the voting stock of the investee of between 20% and 50%, although other factors, such as representation on the investee's board of directors, are considered in determining whether the equity method of accounting is appropriate. Under the equity method of accounting, the investment, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the investee and is recognized in the accompanying consolidated statements of income under "Income (loss) from equity method investments" and also is adjusted by contributions to and distributions from the investee. Equity method investments are subject to impairment evaluation.

Investments in Privately Held Entities

The Company accounts for certain investments using the cost method of accounting when it is determined that the investment provides the Company with little or no influence over the investee. Under the cost method of accounting, the investment is measured at cost, adjusted for observable price changes and impairments, with changes recognized in net income. The investments in privately held entities that do not report NAV are subject to qualitative assessment for indicators of impairments.

Medical Liabilities

APC, Alpha Care, Accountable Health Care, APAACO and MMG are responsible for integrated care that the associated physicians and contracted hospitals provide to their enrollees. APC, Alpha Care, Accountable Health Care, APAACO and MMG provide integrated care to HMOs, Medicare and Medi-Cal enrollees through a network of contracted providers under sub-capitation and direct patient service arrangements. Medical costs for professional and institutional services rendered by contracted providers are recorded as cost of services expenses in the accompanying consolidated statements of income.

An estimate of amounts due to contracted physicians, hospitals, and other professional providers is included in medical liabilities in the accompanying consolidated balance sheets. Medical liabilities include claims reported as of the balance sheet date and estimates IBNR claims. Such estimates are developed using actuarial methods and are based on numerous variables, including the utilization of healthcare 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.

Revenue Recognition

The Company receives payments from the following sources for services rendered: (i) commercial insurers; (ii) the federal government under the Medicare program administered by CMS; (iii) state governments under the Medicaid and other programs; (iv) other third-party payors (e.g., hospitals and IPAs); and (v) individual patients and clients.

Nature of Services and Revenue Streams

Revenue primarily consists of capitation revenue, risk pool settlements and incentives, NGACO All-Inclusive Population-Based Payments (“AIPBP”), management fee income, and FFS revenue. Revenue is recorded in the period in which services are rendered or the period in which the Company is obligated to provide services. The form of billing and related risk of collection for such services may vary by type of revenue and the customer. The following is a summary of the principal forms of the Company’s billing arrangements and how revenue is recognized for each.

Capitation, Net

Managed care revenues of the Company consist primarily of capitated fees for medical services provided by the Company under a capitated arrangement directly made with various managed care providers including HMOs. Capitation revenue is typically prepaid monthly to the Company based on the number of enrollees selecting the Company as their healthcare provider. Capitation revenue is recognized in the month in which the Company is obligated to provide services to plan enrollees under contracts with various health plans. Minor ongoing adjustments to prior months’ capitation, primarily arising from contracted HMOs finalizing their monthly patient eligibility data for additions or subtractions of enrollees, are recognized in the month they are communicated to the Company. 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 a monthly 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.

PMPM managed care contracts generally have a term of one year or longer. All managed care contracts have a single performance obligation that constitutes a series for the provision of managed healthcare services for a population of enrolled members for the duration of the contract. The transaction price for PMPM contracts is variable as it primarily includes PMPM fees associated with unspecified membership that fluctuates throughout the contract. In certain contracts, PMPM fees also include adjustments for items such as performance incentives, performance guarantees and risk shares. The Company generally estimates the transaction price using the most likely amount methodology and amounts are only included in the net transaction price to the extent that it is probable that a significant reversal of cumulative revenue will not occur once any uncertainty is resolved. The majority of the Company’s net PMPM transaction price relates specifically to the Company’s efforts to transfer the service for a distinct increment of the series (e.g., day or month) and is recognized as revenue in the month in which members are entitled to service.

Risk Pool Settlements and Incentives

APC enters into full risk capitation arrangements with certain health plans and local hospitals, which are administered by a third party, where the hospital is responsible for providing, arranging and paying for institutional risk and APC is responsible for providing, arranging and paying for professional risk. Under a full risk pool sharing agreement, APC generally receives a percentage of the net surplus from the affiliated hospital's risk pools with HMOs after deductions for the affiliated hospitals costs. Advance settlement payments are typically made quarterly in arrears if there is a surplus. The Company's risk pool settlements under arrangements with health plans and hospitals are recognized using the most likely amount methodology and amounts are only included in revenue to the extent that it is probable that a significant reversal of cumulative revenue will not occur once any uncertainty is resolved. The assumptions for historical MLR, IBNR completion factors and constraint percentages were used by management in applying the most likely amount methodology.

Under capitated arrangements with certain HMOs, APC participates in one or more shared risk arrangements relating to the provision of institutional services to enrollees (shared risk arrangements) and thus can earn additional revenue or incur losses based upon the enrollee utilization of institutional services. Shared risk capitation arrangements are entered into with certain health plans, which are administered by the health plan, where APC is responsible for rendering professional services, but the health plan does not enter into a capitation arrangement with a hospital and therefore the health plan retains the institutional risk. Shared risk deficits, if any, are not payable until and unless (and only to the extent of any) risk-sharing surpluses are generated. At the termination of the HMO contract, any accumulated deficit will be extinguished.

The Company's risk pool settlements under arrangements with HMOs are recognized, using the most likely methodology, and only included in revenue to the extent that it is probable that a significant reversal of cumulative revenue will not occur. Given the lack of access to the health plans' data and control over the members assigned to APC, the adjustments and/or the withheld amounts are unpredictable and as such APC's risk share revenue is deemed to be fully constrained until APC is notified of the amount by the health plan. Risk pools for the prior contract years are generally final settled in the third or fourth quarter of the following 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. As an incentive to control enrollee utilization and to promote quality care, certain HMOs have designed quality incentive programs and commercial generic pharmacy incentive programs to compensate the Company for its efforts to improve the quality of services and efficient and effective use of pharmacy supplemental benefits provided to HMO members. The incentive programs track specific performance measures and calculate payments to the Company based on the performance measures. The Company's incentives under "pay-for-performance" programs are recognized using the most likely methodology. However, as the Company does not have sufficient insight from the health plans on the amount and timing of the shared risk pool and incentive payments these amounts are considered to be fully constrained and only recorded when such payments are known and/or received.

Generally, for the foregoing arrangements, the final settlement is dependent on each distinct day's performance within the annual measurement period but cannot be allocated to specific days until the full measurement period has occurred and performance can be assessed. As such, this is a form of variable consideration estimated at contract inception and updated through the measurement period (i.e., the contract year), to the extent the risk of reversal does not exist and the consideration is not constrained.

NGACO AIPBP Revenue

APAACO and CMS entered into a NGACO Model Participation Agreement (the "Participation Agreement") with an initial term oftwo performance years through December 31, 2018, which term was extended for two additional renewal years.

For each performance year, the Company must submit to CMS its selections for risk arrangement; the amount of the profit/loss cap; alternative payment mechanism; benefits enhancements, if any; and its decision regarding voluntary alignment under the NGACO Model. The Company must obtain CMS consent before voluntarily discontinuing any benefit enhancement during a performance year.

Under the NGACO Model, CMS aligns beneficiaries to the Company to manage (direct care and pay providers) based on a budgetary benchmark established with CMS. The Company is responsible for managing medical costs for these beneficiaries. The beneficiaries will receive services from physicians and other medical service providers that are both in-network and out-of-network. The Company receives capitation from CMS on a monthly basis to pay claims from in-network providers. The Company records such capitation received from CMS as revenue as the Company is primarily responsible and liable for managing the patient care and for satisfying provider obligations, is assuming the credit risk for the services provided by in-network providers through its arrangement with CMS, and has control of the funds, the services provided and the process by which the providers are ultimately paid. Claims from out-of-network providers are processed and paid by CMS and the

Company's shared savings or losses in managing the services provided by out-of-network providers are generally determined on an annual basis after reconciliation with CMS. Pursuant to the Company's risk share agreement with CMS, the Company will be eligible to receive the savings or be liable for the deficit according to the budget established by CMS based on the Company's efficiency in managing how the beneficiaries aligned to the Company by CMS are served by in-network and out-of-network providers. The Company's savings or losses on providing such services are both capped by CMS, and are subject to significant estimation risk, whereby payments can vary significantly depending upon certain patient characteristics and other variable factors. Accordingly, the Company recognizes such surplus or deficit upon substantial completion of reconciliation and determination of the amounts. The Company records NGACO capitation revenues monthly. Excess over claims paid, plus an estimate for the related IBNR claims (see Note 8), and monthly capitation received are deferred and recorded as a liability until actual claims are paid or incurred. CMS will determine if there were any excess capitation paid for the performance year and the excess is refunded to CMS.

For each performance year, CMS pays the Company in accordance with the alternative payment mechanism, if any, for which CMS has approved the Company; the risk arrangement for which the Company has been approved by CMS; and as otherwise provided in the Participation Agreement. Following the end of each performance year and at such other times as may be required under the Participation Agreement, CMS will issue a settlement report to the Company setting forth the amount of any shared savings or shared losses and the amount of other monies. If CMS owes the Company shared savings or other monies, CMS will pay the Company in full within 30 days after the date on which the relevant settlement report is deemed final, except as provided in the Participation Agreement. If the Company owes CMS shared losses or other monies owed as a result of a final settlement, the Company will pay CMS in full within 30 days after the relevant settlement report is deemed final. If the Company fails to pay the amounts due to CMS in full within 30 days after the date of a demand letter or settlement report, CMS will assess simple interest on the unpaid balance at the rate applicable to other Medicare debts under current provisions of law and applicable regulations. In addition, CMS and the U.S. Department of the Treasury may use any applicable debt collection tools available to collect any amounts owed by the Company.

The Company participates in the AIPBP track of the NGACO Model. Under the AIPBP track, CMS estimates the total annual expenditures for APAACO's assigned patients and pays that projected amount to the Company in monthly installments, and the Company is responsible for all Part A and Part B costs for in-network participating providers and preferred providers contracted by the Company to provide services to the assigned patients.

As APAACO does not have sufficient insight into the financial performance of the shared risk pool with CMS because of unknown factors related to IBNR claims, risk adjustment factors, and stop loss provisions, among other factors, an estimate cannot be developed. Due to these limitations, APAACO cannot determine the amount of surplus or deficit that will likely be recognized in the future and therefore this shared risk pool revenue is considered fully constrained. Pursuant to the Participation Agreement, the Company received $19.8 million in risk pool savings related to the 2019 performance year, and has recognized such amount as revenue in the risk pool settlements and incentives line of the accompanying consolidated statements of income for the three and nine months ended September 30, 2020.

For performance year 2020, the Company continues to receive monthly AIPBP payments at a rate of approximately $7.6 million per month from CMS, and will need to continue to comply with all terms and conditions in the Participation Agreement and various regulatory requirements to be eligible to participate in the AIPBP mechanism and/or NGACO Model. The Company has received approximately $22.9 million and $68.4 million in total AIPBP payments for the three and nine months ended September 30, 2020, respectively, of which $14.8 million and $57.3 million has been recognized as revenue for the three and nine months ended September 30, 2020, respectively.

Management Fee Income

Management fee income encompasses fees paid for management, physician advisory, healthcare staffing, administrative and other non-medical services provided by the Company to IPAs, hospitals and other healthcare providers. Such fees may be in the form of billings at agreed-upon hourly rates, percentages of revenue or fee collections, or amounts fixed on a monthly, quarterly or annual basis. The revenue may include variable arrangements measuring factors such as hours staffed, patient visits or collections per visit against benchmarks, and, in certain cases, may be subject to achieving quality metrics or fee collections. The Company recognizes such variable supplemental revenues 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 applicable agreement.

The Company provides a significant service of integrating the services selected by the Company's clients into one overall output for which the client has contracted. Therefore, such management contracts generally contain a single performance obligation. The nature of the Company's performance obligation is to stand ready to provide services over the contractual period. Also, the Company's performance obligation forms a series of distinct periods of time over which the Company stands ready to perform. The Company's performance obligation is satisfied as the Company completes each period's obligations.

Consideration from management contracts is variable in nature because the majority of the fees are generally based on revenue or collections, which can vary from period to period. The Company has control over pricing. Contractual fees are invoiced to the Company's clients generally monthly and payment terms are typically due within 30 days. The variable consideration in the Company's management contracts meets the criteria to be allocated to the distinct period of time to which it relates because (i) it is due to the activities performed to satisfy the performance obligation during that period and (ii) it represents the consideration to which the Company expects to be entitled.

The Company's management contracts generally have long terms (e.g., 10 years), although they may be terminated earlier under the terms of the applicable contracts. Since the remaining variable consideration will be allocated to a wholly unsatisfied promise that forms part of a single performance obligation recognized under the series guidance, the Company has applied the optional exemption to exclude disclosure of the allocation of the transaction price to remaining performance obligations.

Fee-for-Service Revenue

FFS 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 and employed physicians. Under the FFS arrangements, the Company bills the hospitals and third-party payors for the physician staffing and further bills patients or their third-party payors for patient care services provided and receives payment. FFS revenue related to the patient care services is reported net of contractual allowances and policy discounts and are recognized in the period in which the services are rendered to specific patients. All services provided are expected to result in cash flows and are therefore reflected as net revenue in the consolidated financial statements. The recognition of net revenue (gross charges less contractual allowances) from such services 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.

The Company is responsible for confirming member eligibility, performing program utilization review, potentially directing payment to the provider and accepting the financial risk of loss associated with services rendered, as specified within the Company's client contracts. The Company has the ability to adjust contractual fees with clients and possess the financial risk of loss in certain contractual obligations. These factors indicate the Company is the principal and, as such, the Company records gross fees contracted with clients in revenues.

Consideration from FFS arrangements is variable in nature because fees are based on patient encounters, credits due to clients and reimbursement of provider costs, all of which can vary from period to period. Patient encounters and related episodes of care and procedures qualify as distinct goods and services, provided simultaneously together with other readily available resources, in a single instance of service, and thereby constitute a single performance obligation for each patient encounter and, in most instances, occur at readily determinable transaction prices. As a practical expedient, the Company adopted a portfolio approach for the FFS revenue stream to group together contracts with similar characteristics and analyze historical cash collections trends. The contracts within the portfolio share the characteristics conducive to ensuring that the results do not materially differ under the new standard if it were to be applied to individual patient contracts related to each patient encounter. Accordingly, there was no change in the Company's method to recognize revenue under ASC 606 *Revenue from Contracts with Customers* from the previous accounting guidance.

Estimating net FFS revenue is a complex process, largely due to the volume of transactions, the number and complexity of contracts with payors, the limited availability at times of certain patient and payor information at the time services are provided, and the length of time it takes for collections to fully mature. These expected collections are based on fees and negotiated payment rates in the case of third-party payors, the specific benefits provided for under each patient's healthcare plans, mandated payment rates in the case of Medicare and Medicaid programs, and historical cash collections (net of recoveries) in combination with expected collections from third-party payors.

The relationship between gross charges and the transaction price recognized is significantly influenced by payor mix, as collections on gross charges may vary significantly, depending on whether and with whom the patients the Company provides services to in the period are insured and the Company's contractual relationships with those payors. Payor mix is subject to change as additional patient and payor information is obtained after the period services are provided. The Company periodically assesses the estimates of unbilled revenue, contractual adjustments and discounts, and payor mix by analyzing actual results, including cash collections, against estimates. Changes in these estimates are charged or credited to the consolidated statements of income in the period that the assessment is made. Significant changes in payor mix, contractual arrangements with payors, specialty mix, acuity, general economic conditions and healthcare coverage provided by federal or state governments or private insurers may have a significant impact on estimates and significantly affect the results of operations and cash flows.

Contract Assets

Typically, revenues and receivables are recognized once the Company has satisfied its performance obligation. Accordingly, the Company's contract assets are comprised of receivables and receivables – related parties.

The Company's billing and accounting systems provide historical trends of cash collections and contractual write-offs, accounts receivable agings and established fee adjustments from third-party payors. These estimates are recorded and monitored monthly as revenues are recognized. The principal exposure for uncollectible fee for service visits is from self-pay patients and, to a lesser extent, for co-payments and deductibles from patients with insurance.

Contract Liabilities (Deferred Revenue)

Contract liabilities are recorded when cash payments are received in advance of the Company's performance, or in the case of the Company's NGACO, the excess of AIPBP capitation received and the actual claims paid or incurred. The Company's contract liability balance was $12.3 million and $8.9 million as of September 30, 2020 and December 31, 2019, respectively, and is presented within "Accounts payable and accrued expenses" in the accompanying consolidated balance sheets. During the nine months ended September 30, 2020, $0.4 million of the Company's contract liability accrued in 2019 has been recognized as revenue and $8.5 million was repaid to CMS for AIPBP capitation received and not earned.

Other Financial Information

In March 2020, the Company made a deposit of $4.0 million for future investment opportunities. The deposit was made with cash strictly related to the Excluded Assets that were generated from the series of transactions with AP-AMH. The deposit is included in "Other assets" in the accompanying consolidated balance sheets. Subsequent to September 30, 2020, an agreement was signed converting this deposit into a promissory note from a related party (see Note 17).

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 consolidated 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 consolidated financial statements.

Share-Based Compensation

The Company maintains a stock-based compensation program for employees, non-employees, directors and consultants. The value of share-based awards such as options is recognized as compensation expense on a cumulative straight-line basis over the vesting period of the awards, adjusted for expected forfeitures. From time to time, the Company issues shares of its common stock to its employees, directors and consultants, which shares may be subject to the Company's repurchase right (but not obligation) that lapses based on time-based and performance-based vesting schedules.

Basic and Diluted Earnings Per Share

Basic earnings per share is computed by dividing net income attributable to holders of the Company's common stock by the weighted average number of shares of common stock outstanding during the periods presented. Diluted earnings per share is computed using the weighted average number of shares of common stock outstanding, plus the effect of dilutive securities outstanding during the periods presented, using the treasury stock method. Refer to Note 14 for a discussion of shares treated as treasury shares for accounting purposes.

Noncontrolling Interests

The Company consolidates entities in which the Company has a controlling financial interest. The Company consolidates subsidiaries in which the Company holds, directly or indirectly, more than 50% of the voting rights, and VIEs in which the Company is the primary beneficiary. Noncontrolling interests represent third-party equity ownership interests (including equity ownership interests held by certain VIEs) in the Company's consolidated entities. Net income attributable to noncontrolling interests is disclosed in the consolidated statements of income.

Mezzanine Equity

Pursuant to APC's shareholder agreements, in the event of a disqualifying event, as defined in the agreements, APC could be required to repurchase the shares from the respective shareholders based on certain triggers outlined in the shareholder agreements. As the redemption feature of the shares is not solely within the control of APC, the equity of APC does not qualify as permanent equity and has been classified as mezzanine or temporary equity. Accordingly, the Company recognizes noncontrolling interests in APC as mezzanine equity in the consolidated financial statements. As of September 30, 2020 and December 31, 2019, APC's shares were not redeemable, nor was it probable the shares would become redeemable.

Recent Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments-Credit Losses (Topic 326)-Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). The new standard requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. ASU 2016-13 became effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company adopted ASU 2016-13 on January 1, 2020. The adoption of ASU 2016-13 did not have a material impact on the consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* ("ASU 2018-17"). This ASU reduces the cost and complexity of financial reporting associated with consolidation of VIEs. A VIE is an organization in which consolidation is not based on a majority of voting rights. The new guidance supersedes the private company alternative for common control leasing arrangements issued in 2014 and expands it to all qualifying common control arrangements. The amendments in this ASU became effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company adopted ASU 2018-17 on January 1, 2020. The adoption of ASU 2018-17 did not have a material impact on the consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"). This ASU simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740 *Income Taxes* related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company is currently assessing the impact that the adoption of ASU 2019-12 will have on the Company's consolidated financial statements.

In January 2020, the FASB issued ASU No. 2020-01, *Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)* ("ASU 2020-01"). This ASU clarifies the interaction between accounting for equity securities, equity method investments and certain derivative instruments. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company is currently assessing the impact that the adoption of ASU 2020-01 will have on the Company's consolidation financial statements.

Other than the standards discussed above, there have been no other new accounting pronouncements that have significance, or potential significance, to the Company's financial position, results of operations and cash flows.

3. Business Combinations and Goodwill

Alpha Care Medical Group, Inc.

On May 31, 2019, APC and APC-LSMA completed their acquisition of 100% of the capital stock of Alpha Care from Dr. Kevin Tyson for an aggregate purchase price of approximately $45.1 million in cash, subject to post-closing adjustments. As part of the transaction the Company deposited $2.0 million into an escrow account for potential post-closing adjustments. As of September 30, 2020, no post-closing adjustment is expected to be paid to Dr. Tyson and the full amount of the escrow account is expected to be returned to the Company. As such, the escrow amount is presented within prepaid expenses and other current assets in the accompanying consolidated balance sheets.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed, as of the acquisition date (in thousands):

		Balance Sheet
Assets acquired		
Cash and cash equivalents	$	3,569
Accounts receivable, net		10,336
Other current assets		4,675
Network relationship intangible assets		22,636
Goodwill		28,585
Accounts payable		(2,795)
Deferred tax liabilities		(6,334)
Medical liabilities		(15,616)
Net assets acquired	$	45,056
Cash paid	$	45,056

Accountable Health Care, IPA, a Professional Medical Corporation

On August 30, 2019, APC and APC-LSMA acquired the remaining outstanding shares of capital stock (comprising 75%) in Accountable Health Care in exchange for $7.3 million. In addition to the payment of $7.3 million, APC assumed all assets and liabilities of Accountable Health Care, including loans payable to NMM and APC of $15.4 million, which have been eliminated upon consolidation and contributed the 25% investment totaling $2.4 million, total purchase price was $25.1 million (see Note 5).

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed, as of the acquisition date (in thousands):

		Balance Sheet
Assets acquired		
Cash and cash equivalents	$	582
Accounts receivable, net		5,150
Other current assets		198
Network relationship intangible assets		11,411
Goodwill		23,566
Accounts payable		(3,759)
Medical liabilities		(12,154)
Subordinated loan		(15,327)
Net asset acquired	$	9,667
Equity investment contributed	$	2,417
Cash paid	$	7,250

AMG, a Professional Medical Corporation

The Company acquired AMG in September 2019, for total consideration of $1.6 million, of which $0.4 million was in the form of APC common stock. The business combination did not meet the quantitative thresholds to require separate disclosures based on the Company's consolidated net assets, investments and net income.

The acquisitions were accounted for under the acquisition method of accounting. The fair value of the consideration for the acquired company was allocated to acquired tangible and intangible assets and liabilities based upon their fair values. The excess of the purchase consideration over the fair value of the net tangible and identifiable intangible assets acquired was recorded as goodwill. The determination of the fair value of assets and liabilities acquired requires the Company to make estimates and use valuation techniques when market value is not readily available. The results of operations of the company acquired have been included in the Company's financial statements from the date of acquisition. Transaction costs associated with business acquisitions are expensed as they are incurred.

At the time of acquisition, the Company estimates the amount of the identifiable intangible assets based on a valuation and the facts and circumstances available at the time. The Company determines the final value of the identifiable intangible assets as soon as information is available, but not more than one year from the date of acquisition.

Goodwill is not deductible for tax purposes.

The change in the carrying value of goodwill for the nine months ended September 30, 2020, was as follows (in thousands);

Balance, January 1, 2020	$	238,505
Adjustments		548
Balance, September 30, 2020	$	239,053

4. Intangible Assets, Net

At September 30, 2020, the Company's intangible assets, net, consisted of the following (in thousands):

	Useful Life (Years)	Gross September 30, 2020	Accumulated Amortization	Net September 30, 2020
Amortized intangible assets:				
Network relationships	11-15	$ 143,930	$ (70,200)	$ 73,730
Management contracts	15	22,832	(11,225)	11,607
Member relationships	12	6,696	(3,013)	3,683
Patient management platform	5	2,060	(1,167)	893
Trade names/trademarks	20	1,011	(143)	868
		$ 176,529	$ (85,748)	$ 90,781

At December 31, 2019, the Company's intangible assets, net, consisted of the following (in thousands):

	Useful Life (Years)	Gross December 31, 2019	Accumulated Amortization	Net December 31, 2019
Amortized intangible assets:				
Network relationships	11-15	$ 143,930	$ (60,526)	$ 83,404
Management contracts	15	22,832	(9,676)	13,156
Member relationships	12	6,696	(2,352)	4,344
Patient management platform	5	2,060	(858)	1,202
Trade names/trademarks	20	1,011	(105)	906
		$ 176,529	$ (73,517)	$ 103,012

Included in depreciation and amortization on the accompanying consolidated statements of income is amortization expense of $4.0 million and $4.3 million for the three months ended September 30, 2020 and 2019, respectively, and $12.3 million and $12.1 million for the nine months ended September 30, 2020 and 2019, respectively.

Future amortization expense is estimated to be as follows for the following years ending December 31 (in thousands):

	Amount
2020 (excluding the nine months ended September 30, 2020)	$ 3,798
2021	14,524
2022	12,673
2023	10,842
2024	9,830
Thereafter	39,114
Total	$ 90,781

5. Investments in Other Entities — Equity Method

Rollforward of Equity Method Investment (in thousands)

	December 31, 2019	Allocation of Income (Loss)	Contribution	Sale	September 30, 2020
LaSalle Medical Associates – IPA Line of Business	$ 6,397	$ 28	$ —	$ —	$ 6,425
Pacific Medical Imaging & Oncology Center, Inc.	1,396	25	—	—	1,421
Universal Care, Inc.	1,438	3,560	—	(4,998)	—
Diagnostic Medical Group	2,334	19	—	—	2,353
531 W. College, LLC – related party	16,698	(351)	500	—	16,847
MWN, LLC – related party	164	10	—	—	174
	$ 28,427	$ 3,291	$ 500	$ (4,998)	$ 27,220

LaSalle Medical Associates — IPA Line of Business

LMA was founded by Dr. Albert Arteaga in 1996 and currently operates six neighborhood medical centers through its network of approximately 2,300 PCP and Specialists providers, treating children, adults and seniors in San Bernardino County, California. LMA's patients are primarily served by Medi-Cal. LMA also accepts Blue Cross, Blue Shield, Molina, Care 1st, Health Net and Inland Empire Health Plan. LMA is also an IPA of independently contracted doctors, hospitals and clinics, delivering high-quality care to approximately 290,000 patients in Fresno, Kings, Los Angeles, Madera, Riverside, San Bernardino and Tulare Counties. During 2012, APC-LSMA and LMA entered into a share purchase agreement whereby APC-LSMA invested $5.0 million for a 25% interest in LMA's IPA line of business. NMM has a management services agreement with LMA. APC accounts for its investment in LMA under the equity method as APC has the ability to exercise significant influence, but not control over LMA's operations. For the three months ended September 30, 2020, APC recognized income from this investment of $0.5 million. For the three months ended September 30, 2019, APC recognized a loss from this investment of $0.4 million. For the nine months ended September 30, 2020, APC recognized income from this investment of $28,000 in the accompanying consolidated statements of income. For the nine months ended September 30, 2019, APC recognized a loss from this investment of $2.8 million in the accompanying consolidated statements of income. The accompanying consolidated balance sheets include the related investment balance of $6.4 million at September 30, 2020 and December 31, 2019, respectively.

LMA's summarized balance sheets at September 30, 2020 and December 31, 2019, and summarized statements of operations for the nine months ended September 30, 2020 and 2019, with respect to its IPA line of business are as follows (in thousands):

Balance Sheets

	September 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 3,794	$ 6,345
Receivables, net	6,782	5,124
Other current assets	880	3,526
Loan receivable	2,250	2,250
Restricted cash	690	683
Total assets	$ 14,396	$ 17,928
Liabilities and Stockholders' Deficit		
Current liabilities	$ 19,886	$ 23,530
Stockholders' deficit	(5,490)	(5,602)
Total liabilities and stockholders' deficit	$ 14,396	$ 17,928

Statements of Operations

	Nine Months Ended September 30,	
	2020	2019
Revenues	$ 138,490	$ 144,570
Expenses	138,233	155,582
Net income (loss)	$ 257	$ (11,012)

Pacific Medical Imaging and Oncology Center, Inc.

Incorporated in California in 2004, PMIOC provides comprehensive diagnostic imaging services using state-of-the-art technology. PMIOC offers high-quality diagnostic services, such as MRI/MRA, PET/CT, CT, nuclear medicine, ultrasound, digital x-rays, bone densitometry and digital mammography, at its facilities.

In July 2015, APC-LSMA and PMIOC entered into a share purchase agreement whereby APC-LSMA invested $1.2 million for a 40% ownership interest in PMIOC.

APC and PMIOC have an Ancillary Service Contract together whereby PMIOC provides covered services on behalf of APC to enrollees of the plans of APC. Under the Ancillary Service Contract, APC paid PMIOC fees of approximately $0.5 million and $0.7 million, for the three months ended September 30, 2020 and 2019, respectively, and fees of approximately $1.5 million and $2.1 million for the nine months ended September 30, 2020 and 2019. APC accounts for its investment in PMIOC under the equity method of accounting as APC has the ability to exercise significant influence, but not control over PMIOC's operations. For the three months ended September 30, 2020, APC recognized a loss from this investment of $52,000. For the three months ended September 30, 2019, APC recognized income from this investment of $31,000. For the nine months ended September 30, 2020 and 2019, APC recognized income of $25,000 and $0.2 million, respectively, in the accompanying consolidated statements of income. The accompanying consolidated balance sheets include the related investment balance of $1.4 million at September 30, 2020 and December 31, 2019, respectively.

Universal Care, Inc.

UCI is a privately held health plan that has been in operation since 1985. UCI holds a license under the California Knox-Keene Health Care Services Plan Act to operate as a full-service health plan. UCI contracts with CMS under the Medicare Advantage Prescription Drug Program.

In August 2015, UCAP purchased 100,000 shares of UCI class A-2 voting common stock from UCI for $10.0 million, which shares comprise 48.9% of UCI's total outstanding shares and 50% of UCI's voting common stock.

On April 30, 2020, UCAP completed the sale of its 48.9% ownership interest in UCI to Bright for approximately $69.2 million in cash proceeds (including $16.5 million as repayment of indebtedness owed to APC), plus non-cash consideration consisting of shares of Bright Health, Inc.'s preferred stock having an estimated fair value of approximately $36.2 million on the date of sale, included in investments in privately held entities. The fair value of the preferred shares was determined utilizing a market approach which includes significant unobservable inputs (Level 3) including forecasted revenue along with estimates of revenue multiples, volatility and time-to-liquidity. In addition, pursuant to the terms of the stock purchase agreement, APC has a beneficial interest in the equity method investment sold. The estimated fair value of such interest on April 30, 2020 was $15.7 million and is included in "Other assets" in the accompanying consolidated balance sheets. The beneficial interest is the result of a gross margin provision in the stock purchase agreement which entitles UCAP to potentially receive additional cash and preferred shares (currently held in an escrow account with cash of $15.6 million and preferred shares with an estimated fair value of $6.4 million, total estimated fair value of $22.0 million on the date of sale) based on the gross margin of UCI for calendar year 2020 as measured against a target. The amount to be received varies dependent upon the gross margin as compared to the target but cannot exceed the amounts that are in the escrow account. Additionally, the stock purchase agreement includes a tangible net equity provision that may result in the receipt or payment of additional amounts based on a comparison of final tangible net equity of UCI on the date of sale (determined with the benefit of one year of hindsight) as compared to the estimated tangible net equity at the time of sale. It is expected that settlement of the beneficial interest will begin in the second half of 2021. The Company determined the fair value of the beneficial interest using an income approach which includes significant unobservable inputs (Level 3). Specifically, the Company utilized a probability weighted discounted cash flow model using a risk-free treasury rate to estimate fair value which considered various scenarios of gross margin adjustment and the impact of each adjustment to the expected proceeds from the escrow account and assigned probabilities to each such scenario in determining fair value. The gross margin adjustment is defined as three times any deficit in actual gross margin of UCI for the year ended December 31, 2020 below a target gross margin unless such deficit is within a specific collar amount.

The gain on sale of equity method investment recognized in connection with this transaction was determined as follows (in thousands):

		Amount
Cash proceeds (excludes proceeds to settle indebtedness owed to APC from UCI)	$	52,743
Preferred shares in Bright Health, Inc.		36,179
Beneficial interest in UCI		15,723
Less: Carrying value of equity method investment on date of sale		(4,998)
Gain on sale of equity method investment	$	99,647

For the three months ended September 30, 2019 APC recorded income from this investment of approximately $0.6 million. For the nine months ended September 30, 2020 and 2019 APC recorded income from this investment of approximately $3.6 million and $6.2 million, respectively, in the accompanying consolidated statements of income. As a result of the sale, there was no investment balance as of September 30, 2020 as compared to an investment balance of $1.4 million as of December 31, 2019.

UCI's balance sheet at December 31, 2019 and statements of income for the four months ended April 30, 2020 and nine months ended September 30, 2019 are as follows (in thousands):

Balance Sheets

		December 31, 2019
Assets		
Cash and cash equivalents	$	33,890
Receivables, net		63,843
Other current assets		38,280
Loan receivable		882
Restricted cash		4,021
Total assets	$	140,916
Liabilities and Stockholders' Deficit		
Current liabilities	$	128,330
Other liabilities		33,133
Stockholders' deficit		(20,547)
Total liabilities and stockholders' deficit	$	140,916

Statements of Operations

		Four Months Ended April 30, 2020		Nine Months Ended September 30, 2019
Revenues	$	195,308	$	372,181
Expenses		189,028		370,597
Income before benefit from income taxes		6,280		1,584
Benefit from income taxes		—		(11,010)
Net income	$	6,280	$	12,594

Diagnostic Medical Group

In May 2016, David C.P. Chen M.D., individually, and APC-LSMA, entered into a share purchase agreement whereby APC-LSMA acquired a 40% ownership interest in DMG.

APC accounts for its investment in DMG under the equity method of accounting as APC has the ability to exercise significant influence, but not control over DMG's operations. For the three months ended September 30, 2020 and 2019, APC recognized income from this investment of $0.1 million and $0.3 million, respectively, in the consolidated statements of income. For the nine months ended September 30, 2020 and 2019, APC recognized income from investment of $19,000 and $0.7 million, respectively, in the consolidated statements of income. The accompanying consolidated balance sheets include the related investment balances of $2.4 million and $2.3 million as of September 30, 2020 and December 31, 2019, respectively.

531 W. College LLC – Related Party

In June 2018, College Street Investment LP, a California limited partnership (“CSI”), APC and NMM entered into an operating agreement to govern the limited liability company, 531 W. College, LLC and the conduct of its business, and to specify their relative rights and obligations. CSI, APC and NMM, each owns 50%, 25% and 25%, respectively, of member units based on initial capital contributions of $16.7 million, $8.3 million, and $8.3 million, respectively.

In June 2018, 531 W. College, LLC closed its purchase of a non-operational hospital located in Los Angeles from Societe Francaise De Bienfaisance Mutuelle De Los Angeles, a California nonprofit corporation, for a total purchase price of $33.3 million. On April 23, 2019, NMM and APC entered into an agreement whereby NMM assigned and APC assumed NMM’s 25% membership interest in 531 W. College, LLC for approximately $8.3 million. Subsequently, APC has a 50% ownership in 531 W. College LLC with a total investment balance of approximately $16.8 million.

APC accounts for its investment in 531 W. College, LLC under the equity method of accounting as APC has the ability to exercise significant influence, but not control over the operations of this joint venture. For the three months ended September 30, 2020 and 2019, APC recognized losses of $0.1 million, respectively. For the nine months ended September 30, 2020 and 2019, APC recorded losses of $0.4 million and $0.7 million in the accompanying consolidated statements of income, respectively. During the period ended September 30, 2020, the Company contributed $0.5 million to 531 W. College LLC as part of its 50% interest and had investment balances of $16.8 million and $16.7 million, respectively, at September 30, 2020 and December 31, 2019.

531 W. College LLC’s balance sheets at September 30, 2020 and December 31, 2019, and statements of operations for the nine months ended September 30, 2020 and 2019, are as follows (in thousands):

Balance sheets

	September 30, 2020	December 31, 2019
Assets		
Cash	$ 8	$ 139
Other current assets	25	17
Other assets	70	70
Property and equipment, net	33,697	33,581
Total assets	$ 33,800	$ 33,807
Liabilities and Members’ Equity		
Current liabilities	$ 1,257	$ 1,062
Stockholders’ equity	32,543	32,745
Total liabilities and members’ equity	$ 33,800	$ 33,807

Statements of Operation

	Nine Months Ended September 30,	
	2020	2019
Revenues	$ —	$ —
Expenses	828	780
Loss from operations	(828)	(780)
Other income	32	427
Provision for income tax	3	—
Net loss	$ (799)	$ (353)

MWN LLC – Related Party

In December 2018, NMM, 6 Founders LLC, a California limited liability company doing business as Pacific6 Enterprises ("Pacific6"), and Health Source MSO Inc., a California corporation ("HSMSO") entered into an operating agreement to govern MWN Community Hospital, LLC and the conduct of its business and to specify their relative rights and obligations. NMM, Pacific6, and HSMSO each own 33.3% of the membership shares based on each member's initial capital contributions of $3,000 and working capital contributions of $30,000. NMM invested an additional $0.3 million for working capital purposes in August 2019. For the three and nine months ended September 30, 2020, NMM recorded loss and income from its investment in MWN LLC of $2,000 and $10,000, respectively. For the three and nine months ended September 30, 2019, NMM recorded loss from its investment in MWN LLC of $0.1 million, respectively, in the accompanying consolidated statements of income and had an investment balance of $0.2 million as of September 30, 2020 and December 31, 2019.

Investments in privately held entities that do not report net asset value

MediPortal, LLC

In May 2018, APC purchased 270,000 membership interests of MediPortal LLC, a New York limited liability company, for $0.4 million or $1.50 per membership interest, which represented an approximately 2.8% ownership interest. In connection with the initial purchase, APC received a five-year warrant to purchase an additional 270,000 membership interests. Additionally, APC received a five-year option to purchase an additional 380,000 membership interests and a five-year warrant to purchase 480,000 membership interests, which MediPortal LLC will grant APC upon completion of its health portal. As of September 30, 2020, the health portal has not been completed. As APC does not have the ability to exercise significant influence, and lacks control, over the investee, this investment is accounted for using a measurement alternative which allows the investment to be measured at cost, adjusted for observable price changes and impairments, with changes recognized in net income.

AchievaMed

On July 1, 2019, NMM and AchievaMed, Inc., a California corporation ("AchievaMed"), entered into an agreement in which NMM would purchase 50% of the aggregate shares of capital stock of AchievaMed over a period of time not to exceed five years. As a result of this transaction NMM invested $0.5 million for a 10% interest. The related investment balance of $0.5 million is included in "Investment in privately held entities" in the accompanying consolidated balance sheets as of September 30, 2020.

Bright Health, Inc.

In April 2020, UCAP completed the sale of its 48.9% ownership interest in UCI to Bright for approximately $69.2 million in cash proceeds (including $16.5 million as repayment of indebtedness owed to APC), plus non-cash consideration consisting of shares of Bright Health, Inc.'s preferred stock having an estimated fair value on the transaction date of approximately $36.2 million. The related investment balance of $36.2 million is included in "Investment in privately held entities" in the accompanying consolidated balance sheet as of September 30, 2020.

6. Loan Receivable and Loan Receivable – Related Parties

Loan receivable

Dr. Albert Arteaga

On June 28, 2019, APC entered into a convertible secured promissory note with Dr. Albert H. Arteaga, M.D. ("Dr. Arteaga"), Chief Executive Officer of LMA, to loan $6.4 million to Dr. Arteaga. Interest on the loan accrues at a rate that is equal to the prime rate, plus 1% (4.25% as of September 30, 2020) and payable in monthly installments of interest only on the first day of each month until the maturity date of December 31, 2020, at which time, all outstanding principal and accrued interest thereon shall be due and payable in full. The note is secured by certain shares of LMA common stock held by Dr. Arteaga.

At any time on or before December 31, 2020, and upon written notice by APC to Dr. Arteaga, APC has the right, but not the obligation, to convert the entire outstanding principal amount of this note into shares of LMA common stock, which equal 21.25% of the aggregate then-issued and outstanding shares of LMA common stock to be held by APC's designee, which may include APC-LSMA. If converted, APC-LSMA and APC's designee will collectively own 46.25% of the equity of LMA with the remaining 53.75% to be owned by Dr. Arteaga. The entire note receivable has been classified under loans receivable on the consolidated balance sheets in the amount of $6.4 million as of September 30, 2020.

On February 28, 2020, the Company entered into an agreement to advance Dr. Arteaga $2.2 million in the ordinary course of business. As of September 30, 2020 the advance was fully repaid.

The Company assessed the outstanding loan receivable under the CECL model by assessing the party's ability to pay by reviewing their interest payment history quarterly, financial history annually and reassessing any insolvency risk that is identified. If a failure to pay occurs, the Company assesses the terms of the notes and estimates an expected credit loss based on the remittance schedule of the note.

Loan receivable** – **related parties

Universal Care, Inc.

In 2015, APC advanced $5.0 million on behalf of UCAP to UCI for working capital purposes. On June 29, 2018, November 28, 2018, and December 13, 2019, APC advanced an additional $2.5 million, $5.0 million and $4.0 million, respectively. The loans accrue interest at the prime rate, plus 1.00%, or 4.25%, as of March 31, 2020, and 5.75% as of December 31, 2019, with interest to be paid monthly. On April 30, 2020, the outstanding balance was fully repaid as part of UCAP's disposition of its 48.9% ownership interest in UCI to Bright.

7. Accounts Payable and Accrued Expenses

The Company's accounts payable and accrued expenses consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Accounts payable	$ 9,569	$ 6,914
Capitation payable	2,583	2,813
Subcontractor IPA payable	3,413	3,360
Professional fees	2,481	1,837
Due to related parties	—	225
Accrued compensation	10,176	3,238
Contract liabilities	12,252	8,892
Total accounts payable and accrued expenses	$ 40,474	$ 27,279

8. Medical Liabilities

The Company's medical liabilities consisted of the following (in thousands):

	September 30, 2020	September 30, 2019
Medical liabilities, beginning of period	$ 58,725	$ 33,642
Components of medical care costs related to claims incurred:		
Current period	229,194	175,598
Prior periods	1,731	2,875
Total medical care costs	230,925	178,473
Payments for medical care costs related to claims incurred:		
Current period	(178,796)	(135,580)
Prior periods	(53,231)	(49,164)
Total paid	(232,027)	(184,744)
Acquired (see Note 3)	—	26,404
Adjustments	(168)	45
Medical liabilities, end of period	$ 57,455	$ 53,820

9. Credit Facility, Bank Loan and Lines of Credit

Credit Facility

The Company's credit facility consisted of the following (in thousands):

	September 30, 2020
Term Loan A	$ 180,500
Revolver loan	60,000
Total debt	240,500
Less: Current portion of debt	(9,500)
Less: Unamortized financing costs	(4,949)
Long-term debt	$ 226,051

The following are the future commitments of the Company's credit facility for the years ending December 31 (in thousands):

	Amount
2020 (excluding the nine months ended September 30, 2020)	$ 2,375
2021	10,688
2022	14,250
2023	15,437
2024	197,750
Total	$ 240,500

Credit Agreement

In September 2019, the Company entered into a secured credit agreement (the “Credit Agreement,” and the credit facility thereunder, the "Credit Facility") with Truist Bank (formerly known as SunTrust Bank), in its capacity as administrative agent for the lenders (in such capacity, the “Agent”), as a lender, an issuer of letters of credit and as swingline lender, and Preferred Bank, JPMorgan Chase Bank, N.A., MUFG Union Bank, N.A., Royal Bank of Canada, Fifth Third Bank and City National Bank, as lenders (the “Lenders”). In connection with the closing of the Credit Agreement, the Company, its subsidiary, NMM, and the Agent entered into a Guaranty and Security Agreement (the “Guaranty and Security Agreement”), pursuant to which, among other things, NMM guaranteed the obligations of the Company under the Credit Agreement.

The Credit Agreement provides for a five-year revolving credit facility to the Company of $100.0 million (“Revolver Loan”), which includes a letter of credit subfacility of up to $25.0 million. The Credit Agreement also provides for a term loan of $190.0 million, (“Term Loan A”). The unpaid principal amount of the term loan is payable in quarterly installments on the last day of each fiscal quarter commencing on December 31, 2019. The principal payment for each of the first eight fiscal quarters is $2.4 million, for the following eight fiscal quarters thereafter is $3.6 million and for the following three fiscal quarters thereafter is $4.8 million. The remaining principal payment on the term loan is due on September 11, 2024.

The proceeds of the term loan and up to $60.0 million of the revolving credit facility were used to (i) finance a portion of the AP-AMH Loan, (ii) refinance certain indebtedness of the Company and its subsidiaries and, indirectly, APC, (iii) pay transaction costs and expenses arising in connection with the Credit Agreement, the AP-AMH Loan and certain other related transactions and (iv) provide for working capital, capital expenditures and other general corporate purposes. The remainder of the revolving credit facility will be used to finance future acquisitions and investments and to provide for working capital needs, capital expenditures and other general corporate purposes.

The Company is required to pay an annual facility fee of between 0.20% to 0.35% on the available commitments under the Credit Agreement, regardless of usage, with the applicable fee determined on a quarterly basis based on the Company’s leverage ratio. The Company is also required to pay customary fees as specified in a separate fee agreement between the Company and SunTrust Robinson Humphrey, Inc. (now known as Truist Securities Inc.), the lead arranger of the Credit Agreement.

Amounts borrowed under the Credit Agreement will bear interest at an annual rate equal to either, at the Company’s option, (a) the rate for Eurocurrency deposits for the corresponding deposits of U.S. dollars appearing on Reuters Screen LIBOR01 Page (“LIBOR”), adjusted for any reserve requirement in effect, plus a spread of between 2.00% and 3.00%, as determined on a quarterly basis based on the Company’s leverage ratio, or (b) a base rate, plus a spread between 1.00% and 2.00%, as determined on a quarterly basis based on the Company’s leverage ratio. As of September 30, 2020, the interest rate on Term Loan A for the 2020 commitment and future commitments was 2.72% and 2.77%, respectively. As of September 30, 2020, the interest rate on the Revolver Loan was 2.77%. The base rate is defined in a manner such that it will not be less than LIBOR. The Company will pay fees for standby letters of credit at an annual rate of between 2.00% and 3.00%, as determined on a quarterly basis based on the Company’s leverage ratio, plus facing fees and standard fees payable to the issuing bank on the respective letter of credit. Loans outstanding under the Credit Agreement may be prepaid at any time without penalty, except for LIBOR breakage costs and expenses. If LIBOR ceases to be reported, the Credit Agreement requires the Company and the Agent to endeavor to establish a commercially reasonable alternative rate of interest and until they are able to do so, all borrowings must be at the base rate.

The Credit Agreement requires the Company and its subsidiaries to comply with various affirmative covenants, including, without limitation, furnishing updated financial and other information, preserving existence and entitlements, maintaining properties and insurance, complying with laws, maintaining books and records, requiring any new domestic subsidiary meeting a materiality threshold specified in the Credit Agreement to become a guarantor thereunder and paying obligations. The Credit Agreement requires the Company and its subsidiaries to comply with, and to use commercially reasonable efforts to the extent permitted by law to cause certain material associated practices of the Company, including APC, to comply with, restrictions on liens, indebtedness and investments (including restrictions on acquisitions by the Company), subject to specified exceptions. The Credit Agreement also contains various other negative covenants binding the Company and its subsidiaries, including, without limitation, restrictions on fundamental changes, dividends and distributions, sales and leasebacks, transactions with affiliates, burdensome agreements, use of proceeds, maintenance of business, amendments of organizational documents, accounting changes and prepayments and modifications of subordinated debt.

The Credit Agreement requires the Company to comply with two key financial ratios, each calculated on a consolidated basis. The Company must maintain a maximum consolidated leverage ratio of not greater than 3.75 to 1.00 as of the last day of each fiscal quarter. The maximum consolidated leverage ratio decreases by 0.25 each year, until it is reduced to 3.00 to 1.00 for each fiscal quarter ending after September 30, 2022. The Company must maintain a minimum consolidated interest coverage ratio of

not less than 3.25 to 1.00 as of the last day of each fiscal quarter. As of September 30, 2020, the Company was in compliance with the covenants relating to its credit facility.

Pursuant to the Guaranty and Security Agreement, the Company and NMM have granted the Lenders a security interest in all of their assets, including, without limitation, all stock and other equity issued by their subsidiaries (including NMM) and all rights with respect to the AP-AMH Loan. The Guaranty and Security Agreement requires the Company and NMM to comply with various affirmative and negative covenants, including, without limitation, covenants relating to maintaining perfected security interests, providing information and documentation to the Agent, complying with contractual obligations relating to the collateral, restricting the sale and issuance of securities by their respective subsidiaries and providing the Agent access to the collateral.

The Credit Agreement contains events of default, including, without limitation, failure to make a payment when due, default on various covenants in the Credit Agreement, breach of representations or warranties, cross-default on other material indebtedness, bankruptcy or insolvency, occurrence of certain judgments and certain events under the Employee Retirement Income Security Act of 1974 aggregating more than $10.0 million, invalidity of the loan documents, any lien under the Guaranty and Security Agreement ceasing to be valid and perfected, any change in control, as defined in the Credit Agreement, an event of default under the AP-AMH Loan, failure by APC to pay dividends in cash for any period of two consecutive fiscal quarters, failure by AP-AMH to pay cash interest to the Company, or if any modification is made to the Certificate of Determination or the Special Purpose Shareholder Agreement that directly or indirectly restricts, conditions, impairs, reduces or otherwise limits the payment of the Series A Preferred dividend by APC to AP-AMH. In addition, it will constitute an event of default under the Credit Agreement if APC uses all or any portion of the consideration received by APC from AP-AMH on account of AP-AMH's purchase of Series A Preferred Stock for any purpose other than certain specific approved uses described in the following sentence, unless not less than 50.01% of all holders of common stock of APC at such time approve such use; provided that APC may use up to $50.0 million in the aggregate of such consideration for any purpose without any requirement to obtain such approval of the holders of common stock of APC. The approved uses include (i) any permitted investment, (ii) any dividend or distribution to the holders of the common stock of APC, (iii) any repurchase of common stock of APC, (iv) paying taxes relating to or arising from certain assets and transactions, or (v) funding losses, deficits or working capital support on account of certain non-healthcare assets in an amount not to exceed $125.0 million. If any event of default occurs and is continuing under the Credit Agreement, the Lenders may terminate their commitments, and may require the Company and its guarantors to repay outstanding debt and/or to provide a cash deposit as additional security for outstanding letters of credit. In addition, the Agent, on behalf of the Lenders, may pursue remedies under the Guaranty and Security Agreement, including, without limitation, transferring pledged securities of the Company's subsidiaries in the name of the Agent and exercising all rights with respect thereto (including the right to vote and to receive dividends), collect on pledged accounts, instruments and other receivables (including the AP-AMH Loan), and all other rights provided by law or under the loan documents and the AP-AMH Loan.

In the ordinary course of business, certain of the Lenders under the Credit Agreement and their affiliates have provided to the Company and its subsidiaries and the associated practices, and may in the future provide, (i) investment banking, commercial banking (including pursuant to certain existing business loan and credit agreements being terminated in connection with entering into the Credit Agreement), cash management, foreign exchange or other financial services, and (ii) services as a bond trustee and other trust and fiduciary services, for which they have received compensation and may receive compensation in the future.

Deferred Financing Costs

In September 2019, the Company recorded deferred financing costs of $6.5 million related to the issuance of the Credit Facility. This amount was recorded as a direct reduction of the carrying amount of the related debt liability. The deferred financing costs will be amortized over the life of the Credit Facility using the effective interest rate method.

Effective Interest Rate

The Company's average effective interest rate on its total debt during the nine months ended September 30, 2020 and 2019, was 3.79% and 1.31%, respectively. Interest expense in the consolidated statements of income included amortization of deferred debt issuance costs for the three and nine months ended September 30, 2020 and 2019, of $0.3 million and 0.1 million, respectively, and $1.0 million and $0.1 million, respectively.

Lines of Credit – Related Party

NMM Business Loan

On June 14, 2018, NMM amended its promissory note agreement with Preferred Bank ("NMM Business Loan Agreement"), which provides for loan availability of up to $20.0 million with a maturity date of June 22, 2020. One of the Company's board members is the chairman and CEO of Preferred Bank. The NMM Business Loan Agreement was subsequently amended on September 1, 2018, to temporarily increase the loan availability from $20.0 million to $27.0 million for the period from September 1, 2018 through January 31, 2019, further extended to October 31, 2019, to facilitate the issuance of an additional standby letter of credit for the benefit of CMS. The interest rate is based on the Wall Street Journal "prime rate," plus 0.125%, or 5.625% as of December 31, 2018. The loan was guaranteed by Apollo Medical Holdings, Inc. and is collateralized by substantially all of the assets of NMM. The amount outstanding as of June 30, 2019, of $5.0 million was fully repaid on September 11, 2019.

On September 5, 2018, NMM entered into a non-revolving line of credit agreement with Preferred Bank, which provides for loan availability of up to $20.0 million with a maturity date of September 5, 2019. This credit facility was subsequently amended on April 17, 2019, and July 29, 2019, to reduce the loan availability from $20.0 million to $16.0 million and from $16.0 million to $2.2 million, respectively. The interest rate is based on the Wall Street Journal "prime rate," plus 0.125%, or 3.375% as of September 30, 2020, and 4.875% as of December 31, 2019. The line of credit is guaranteed by Apollo Medical Holdings, Inc. and is collateralized by substantially all assets of NMM. NMM obtained this line of credit to finance potential acquisitions. Each drawdown from the line of credit is converted into a five-year term loan with monthly principal payments, plus interest based on a five-year amortization schedule.

On September 11, 2019, the NMM Business Loan Agreement, dated as of June 14, 2018, between NMM and Preferred Bank, as amended, and the Line of Credit Agreement, dated as of September 5, 2018, between NMM and Preferred Bank, as amended, were terminated in connection with the closing of the credit facility. Certain letters of credit issued by Preferred Bank under the Line of Credit Agreement were terminated and reissued under the Credit Agreement. As of September 30, 2020, outstanding letters of credit totaled $8.2 million and the Company has $10.2 million available under the revolving credit facility for letters of credit.

APC Business Loan

On June 14, 2018, APC amended its promissory note agreement with Preferred Bank, which provides for loan availability of up to $10.0 million with a maturity date of June 22, 2020. This credit facility was subsequently amended on April 17, 2019, and June 11, 2019, to increase the loan availability from $10.0 million to $40.0 million and extend the maturity date through December 31, 2020. On August 1, 2019, and September 10, 2019, this credit facility was further amended to increase loan availability from $40.0 million to $43.8 million, and decrease loan availability from $43.8 million to $4.1 million, respectively. This decrease further limited the purpose of the indebtedness under APC Business Loan Agreement to the issuance of standby letters of credit, and added as a permitted lien the security interest in all of its assets granted by APC in favor of NMM under a Security Agreement dated on or about September 11, 2019, securing APC's obligations to NMM under, and as required pursuant to, the APC management services agreement dated as of July 1, 1999, as amended. The interest rate is based on the Wall Street Journal "prime rate," plus 0.125%, or 3.375% and 4.875% as of September 30, 2020 and December 31, 2019, respectively.

As of September 30, 2020 and December 31, 2019, there was no availability under this line of credit.

Standby Letters of Credit

On October 2, 2018, APAACO established a second irrevocable standby letter of credit with Preferred Bank (through the NMM Business Loan Agreement) for $6.6 million for the benefit of CMS. The letter of credit expires on December 31, 2020, and is automatically extended without amendment for additional one-year periods from the present or any future expiration date, unless notified by the institution to terminate prior to 90 days from any expiration date. APAACO may continue to draw from the letter of credit for one year following the bank's notification of non-renewal. This standby letter of credit was subsequently amended on August 14, 2019, to increase the amount from $6.6 million to $14.8 million and extended the expiration date to December 31, 2020, with all other terms and conditions remain unchanged. In connection with the closing of the Credit Facility, this letter of credit was terminated and reissued under the Credit Agreement. As of September 30, 2020, APAACO terminated $ 6.6 million of the irrevocable standby letter of credit.

APC established irrevocable standby letters of credit with Preferred Bank under the APC Business Loan Agreement for a total of $0.3 million for the benefit of certain health plans. The standby letters of credit are automatically extended without amendment for additional one-year periods from the present or any future expiration date, unless notified by the institution in advance of the expiration date that the letter will be terminated.

Alpha Care established irrevocable standby letters of credit with Preferred Bank under the APC Business Loan Agreement for a total of $3.8 million for the benefit of certain health plans. The standby letters of credit are automatically extended without amendment for additional one-year periods from the present or any future expiration date, unless notified by the institution in advance of the expiration date that the letter will be terminated.

10. Mezzanine and Stockholders' Equity

Mezzanine

As the redemption feature (see Note 2) of the shares is not solely within the control of APC, the equity of APC does not qualify as permanent equity and has been classified as noncontrolling interest in APC as mezzanine or temporary equity. APC's shares are not redeemable and it is not probable that the shares will become redeemable as of September 30, 2020 and December 31, 2019.

Stockholders' Equity

As of September 30, 2020, 302,732 holdback shares have not been issued to certain former NMM shareholders who were NMM shareholders at the time of closing of the merger between NMM and ApolloMed in December 2017 (the "Merger"), as they have yet to submit properly completed letters of transmittal to ApolloMed in order to receive their pro rata portion of ApolloMed common stock and warrants as contemplated under the merger agreement. Pending such receipt, such former NMM shareholders have the right to receive, without interest, their pro rata share of dividends or distributions with a record date after the effectiveness of the Merger. The consolidated financial statements have treated such shares of common stock as outstanding, given the receipt of the letter of transmittal is considered perfunctory and the Company is legally obligated to issue these shares in connection with the Merger.

See options and warrants section below for common stock issued upon exercise of stock options and stock purchase warrants.

Options

The Company's outstanding stock options consisted of the following:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Options outstanding at January 1, 2020	607,346	$ 9.22	3.42	$ 5,600
Options granted	11,742	18.41	—	—
Options exercised	(120,000)	2.58	—	1,800
Options forfeited	(12,228)	17.57	—	—
Options outstanding at September 30, 2020	486,860	$ 10.86	3.45	$ 3,300
Options exercisable at September 30, 2020	405,833	$ 7.91	2.75	$ 3,500

During the nine months ended September 30, 2020 and 2019, stock options were exercised for 120,000 and 203,524 shares, respectively, of the Company's common stock, which resulted in proceeds of approximately $0.3 million and $1.2 million, respectively. The exercise price ranged from $2.10 to $5.00 per share for the exercises during the nine months ended September 30, 2020, and ranged from $1.50 to $10.00 per share for the exercises during the nine months ended September 30, 2019.

During the nine months ended September 30, 2020 and 2019,no stock options were exercised pursuant to the cashless exercise provision.

During the nine months ended September 30, 2020, the Company granted11,742 stock options with a vesting period offive-years to certain ApolloMed board members with an exercise price of $18.41, which were recognized at fair value, as determined using the Black-Scholes option pricing model and the following assumptions:

September 30, 2020		Board Members
Expected term		3.0 years
Expected volatility		90.01 %
Risk-free interest rate		1.43 %
Market value of common stock	$	10.56
Annual dividend yield		— %
Forfeiture rate		— %

Restricted Stock Awards

The Company grants restricted stock awards to employees which are earned based on service conditions. The grant date fair value of the restricted stock awards is that day's closing market price of the Company's common stock. During the nine months ended September 30, 2020, the Company granted restricted stock awards totaling 97,447 shares with a weighted average grant date fair value of $17.58. The grant date fair value of the restricted stock was $1.6 million and will be recognized on a straight-line basis over the awards' vesting period of three years.

During the three and nine months ended September 30, 2020, the Company recorded approximately $0.6 million and $2.2 million of share-based compensation expense associated with the issuance of restricted shares of common stock and vesting of stock options which are included in general and administrative expenses in the accompanying consolidated statements of income, respectively. Unrecognized compensation expense related to total share-based payments outstanding as of September 30, 2020, was $3.1 million.

Warrants

The Company's outstanding warrants consisted of the following:

	Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)		Aggregate Intrinsic Value (in thousands)
Warrants outstanding at January 1, 2020	3,154,590	$	9.96	2.01	$	26,700
Warrants granted	—		—	—		—
Warrants exercised	(800,709)		9.22	—		6,000
Warrants expired/forfeited	—		—	—		—
Warrants outstanding at September 30, 2020	2,353,881	$	10.21	1.62	$	18,200

	Exercise Price Per Share	Warrants Outstanding	Weighted Average Remaining Contractual Life	Warrants Exercisable		Weighted Average Exercise Price Per Share
$	9.00	305,812	0.04	305,812	$	9.00
	10.00	1,248,779	1.64	1,248,779		10.00
	11.00	799,290	2.19	799,290		11.00
	$ $ 9.00 –11.00	2,353,881	1.62	2,353,881	$	10.21

During the nine months ended September 30, 2020 and 2019, common stock warrants were exercised for 800,709 and 133,221 shares, respectively, of the Company's common stock, which resulted in proceeds of approximately $6.2 million and $1.2 million, respectively. The exercise price ranged from $9.00 to $11.00 per share for the exercises during the nine months ended September 30, 2020 and 2019, respectively.

During the nine months ended September 30, 2020, common stock warrants were exercised on a cashless basis for 127,022 shares of the Company's common stock which resulted in the Company issuing 66,517 net shares.

Treasury Stock

APC owned 17,307,214 and 17,290,317 shares of ApolloMed's common stock as of September 30, 2020 and December 31, 2019, respectively, which are legally issued and outstanding but excluded from shares of common stock outstanding in the consolidated financial statements, as such shares are treated as treasury shares for accounting purposes (see Note 1).

During the year ended December 31, 2019, APC established a brokerage account to invest excess capital in the equity market. The brokerage account is managed directly by an independent investment committee of the APC board of directors, from which Dr. Kenneth Sim and Dr. Thomas Lam have been excluded. As of September 30, 2020, the brokerage account only held shares of ApolloMed totaling $7.6 million, and as such the ApolloMed shares in the brokerage account have been recorded as treasury shares.

Dividends

During the nine months ended September 30, 2020 and 2019, APC paid dividends of $49.5 million and $59.7 million, respectively.

During the nine months ended September 30, 2020 and 2019, CDSC paid dividends of $0.6 million and $1.2 million, respectively.

11. Commitments and Contingencies

Regulatory Matters

Laws and regulations governing the Medicare program and healthcare generally are complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medi-Cal programs.

As risk-bearing organizations, APC, Alpha Care and Accountable Health Care are required to comply with California DMHC regulations, including maintenance of minimum working capital, tangible net equity ("TNE"), cash-to-claims ratio and claims payment requirements prescribed by the California DMHC. TNE is defined as net equity less intangibles, less non-allowable assets (which include unsecured amounts due from affiliates), plus subordinated obligations. At September 30, 2020 and December 31, 2019, APC, Alpha Care and Accountable Health Care were in compliance with these regulations.

Many of the Company's payor and provider contracts are complex in nature and may be subject to differing interpretations regarding amounts due for the provision of medical services. Such differing interpretations may not come to light until a substantial period of time has passed following contract implementation. Liabilities for claims disputes are recorded when the loss is probable and can be estimated. Any adjustments to reserves are reflected in current operations.

Standby Letters of Credit

As part of the APAACO participation with CMS, the Company must provide a financial guarantee to CMS, the guarantee generally must be in an amount equal to 2% of the Company's benchmark Medicare Part A and Part B expenditures. The Company has established an irrevocable standby letter of credit under the Credit Agreement for a face amount of $8.2 million for the 2019 performance year (see Note 9).

APC established irrevocable standby letters of credit with a financial institution for a total of $0.3 million for the benefit of certain health plans. The standby letters of credit are automatically extended without amendment for additional one-year periods

from the present or any future expiration date, unless notified by the institution in advance of the expiration date that the letter will be terminated (see Note 9).

Alpha Care established irrevocable standby letters of credit with a financial institution for a total of $3.8 million for the benefit of certain health plans. The standby letters of credit are automatically extended without amendment for additional one-year periods from the present or any future expiration date, unless notified by the institution in advance of the expiration date that the letter will be terminated (see Note 9).

Litigation

From time to time, the Company is involved in various legal proceedings and other matters arising in the normal course of its business. The resolution of any claim or litigation is subject to inherent uncertainty and could have a material adverse effect on the Company’s financial condition, cash flows or results of operations.

Prospect Medical Systems

On or about March 23, 2018, and April 3, 2018, a Demand for Arbitration and an Amended Demand for Arbitration were filed by Prospect Medical Group, Inc. and Prospect Medical Systems, Inc. (collectively, “Prospect”) against MMG, ApolloMed and AMM with Judicial Arbitration Mediation Services in California, arising out of MMG’s purported business plans, seeking damages in excess of $5.0 million, and alleging breach of contract, violation of unfair competition laws, and tortious interference with Prospect’s current and future economic relationships with its health plans and their members. By stipulation and order dated April 28, 2020, ApolloMed and AMM were dismissed without prejudice from the arbitration for lack of jurisdiction on the basis that neither of them were a party to any arbitration agreement with Prospect, subject, however, to Prospect reserving its rights against ApolloMed and AMM and tolling of applicable statute of limitation. MMG disputes the allegations and intends to vigorously defend against this matter. The resolution of this matter and any potential range of loss in excess of any current accrual cannot be reasonably determined or estimated at this time primarily because the matter has not been fully arbitrated and presents unique regulatory and contractual interpretation issues.

Liability Insurance

The Company believes that its 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 its 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. Contracted physicians are required to obtain their own insurance coverage.

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.

12. Related-Party Transactions

On November 16, 2015, UCAP entered into a subordinated note receivable agreement with UCI, a 48.9% owned equity method investee (see Note 5), in the amount of $5.0 million. On June 28, 2018 and November 28, 2018, UCAP entered into two additional subordinated note receivable agreements with UCI in the amount of $2.5 million and $5.0 million, respectively. On April 30, 2020, the outstanding balance was fully repaid as part of UCAP's disposition of its 48.9% ownership interest in UCI to Bright (see Note 6).

During the three and nine months ended September 30, 2020 and 2019, NMM earned approximately $4.2 million and $4.4 million, respectively, and $12.6 million and $12.9 million, respectively, in management fees from LMA, which is accounted for under the equity method based on 25% equity ownership interest held by APC in LMA’s IPA line of business (see Note 5).

During the three and nine months ended September 30, 2020 and 2019, APC paid approximately $0.5 million and $0.7 million, respectively, and $1.5 million and $2.1 million, respectively, to PMIOC for provider services, which is accounted for under the equity method based on 40% equity ownership interest held by APC (see Note 5).

During the three and nine months ended September 30, 2020 and 2019, APC paid approximately $1.2 million and $2.0 million, respectively, and $3.8 and $5.8 million, respectively, to DMG for provider services, which is accounted for under the equity method based on 40% equity ownership interest held by APC (see Note 5).

During the three and nine months ended September 30, 2020 and 2019, APC paid approximately $0.1 million, respectively, and $0.2 million, respectively, to Advanced Diagnostic Surgery Center for services as a provider. Advanced Diagnostic Surgery Center shares common ownership with certain board members of APC.

During the three months ended September 30, 2020 and 2019, APC paid an aggregate of approximately $7.1 million and $6.7 million, respectively, which include approximately $1.7 million and $1.8 million, respectively, to shareholders who are also officers of APC. During the nine months ended September 30, 2020 and 2019, APC paid an aggregate of approximately of $23.4 million and $23.1 million, respectively, to shareholders of APC for provider services, which include approximately $6.5 million and $6.9 million, respectively, to shareholders who are also officers of APC.

During the three and nine months ended September 30, 2020 and 2019, NMM paid approximately $0.3 million, respectively and $0.8 million, respectively, to Medical Property Partners ("MPP") for an office lease. MPP shares common ownership with certain board members of NMM.

During the three and nine months ended September 30, 2020, NMM paid approximately $0.4 million and $1.1 million, respectively, to One MSO, Inc. ("One MSO") for an office lease. One MSO is indirectly 50% owned by Drs. Sim and Lam. As of September 30, 2020, the Company had $10.4 million of ROU assets and lease liabilities, respectively, related to its office lease with One MSO to be amortized over the remaining life of the lease.

During the three months ended September 30, 2020 and 2019, the Company paid approximately $39,000 and $0.1 million, respectively, and paid approximately $0.3 million for both the nine months ended September 30, 2020 and 2019, to Critical Quality Management Corporation ("CQMC") for an office lease. CQMC shares common ownership with certain board members of APC.

For both the three and nine months ended September 30, 2020 and 2019, SCHC paid approximately $0.1 million, respectively, and $0.3 million, respectively, to Numen, LLC ("Numen") for an office lease. Numen is owned by a shareholder of APC. As of September 30, 2020, the Company had $1.4 million of ROU assets and lease liabilities, respectively, related to its office lease with Numen to be amortized over the remaining life of the lease.

The Company has agreements with HSMSO, Aurion Corporation ("Aurion"), and AHMC Healthcare ("AHMC") for services provided to the Company. One of the Company's board members is an officer of AHMC, HSMSO and Aurion. Aurion is also partially owned by one of the Company's board members. The following table sets forth fees incurred and revenue earned related to AHMC, HSMSO and Aurion (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
AHMC – Risk pool, capitation, claims payment, net	$ 5,683	$ 11,215	$ 23,739	$ 39,165
HSMSO – Management fees, net	(109)	(160)	(430)	(1,075)
Aurion – Management fees	(100)	(76)	(228)	(232)
Net total	$ 5,474	$ 10,979	$ 23,081	$ 37,858

The Company and AHMC have a risk sharing agreement with certain AHMC hospitals to share the surplus and deficits of each of the hospital pools. During the three and nine months ended September 30, 2020 and 2019, the Company has recognized risk pool revenue under this agreement of $10.5 million and $11.0 million, respectively, and $31.5 million and $31.9 million, respectively, for which $36.9 million and $40.4 million remained outstanding as of September 30, 2020 and December 31, 2019, respectively.

During the three and nine months ended September 30, 2020 and 2019, NMM paid approximately $0 and $0.1 million, respectively, and $27,000 and $0.2 million, respectively, to ApolloMed board member, Matthew Mazdyasni, for consulting services.

In addition, affiliates wholly owned by the Company's officers, including the Company's Co-CEOs, Dr. Sim and Dr. Lam, are reported in the accompanying consolidated statements of income on a consolidated basis, together with the Company's

subsidiaries, and therefore, the Company does not separately disclose transactions between such affiliates and the Company's subsidiaries as related-party transactions.

For equity method investments, loans receivable and line of credits from related parties, see Notes 5, 6 and 9, respectively.

13. Income Taxes

The Company uses the liability method of accounting for income taxes as set forth in ASC 740. Under the liability method, deferred taxes are determined based on differences between the financial statement and tax bases of assets and liabilities using enacted tax rates.

On an interim basis, the Company estimates what its anticipated annual effective tax rate will be and records a quarterly income tax provision (benefit) in accordance with the estimated annual rate, plus the tax effect of certain discrete items that arise during the quarter. As the fiscal year progresses, the Company refines its estimates based on actual events and financial results during the quarter. This process can result in significant changes to the Company's estimated effective tax rate. When this occurs, the income tax provision (benefit) is adjusted during the quarter in which the estimates are refined so that the year-to-date provision reflects the estimated annual effective tax rate. These changes, along with adjustments to the Company's deferred taxes and related valuation allowance, may create fluctuations in the overall effective tax rate from quarter to quarter.

As of September 30, 2020, due to the overall cumulative losses incurred in recent years, the Company maintained a full valuation allowance against its deferred tax assets related to loss entities the Company cannot consolidate under the federal tax consolidation rules, as realization of these assets is uncertain.

The Company's effective income tax rate for the nine months ended September 30, 2020 and September 30, 2019 were 28.8% and 25.5%, respectively, and differed from the U.S. federal statutory rate primarily due to state income taxes, income from flow through entities, nondeductible permanent items, and change in valuation allowance.

As of September 30, 2020, the Company does not have any unrecognized tax benefits related to various federal and state income tax matters. The Company will recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense.

The Company is subject to U.S. federal income tax as well as income tax in California. The Company and its subsidiaries' state and Federal income tax returns are open to audit under the statute of limitations for the years ended December 31, 2015 through December 31, 2018, and for the years ended December 31, 2016 through December 31, 2018, respectively. The Company does not anticipate material unrecognized tax benefits within the next 12 months.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was signed into law. The CARES Act includes various income and payroll tax provisions that we are in the process of analyzing to determine the tax impacts. However, the benefits of the CARES Act are not expected to impact the Company's annual estimated tax rate for the nine months ended September 30, 2020.

14. Earnings Per Share

Basic earnings 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 attributable to ApolloMed by the weighted average number of shares of the Company's common stock issued and outstanding during such period. Diluted earnings per share is calculated using the weighted average number of shares of common stock and potentially dilutive shares of common stock outstanding during the period, using the as-if converted method for secured convertible notes, preferred stock, and the treasury stock method for options and common stock warrants.

As of September 30, 2020 and December 31, 2019, APC held 17,307,214 and 17,290,317 shares of ApolloMed's common stock, respectively, which are treated as treasury shares for accounting purposes and not included in the number of shares of common stock outstanding used to calculate earnings per share.

Below is a summary of the earnings per share computations:

Three Months Ended September 30,	2020	2019
Earnings per share – basic	$ 0.46	$ 0.11
Earnings per share – diluted	$ 0.45	$ 0.10
Weighted average shares of common stock outstanding – basic	36,364,839	34,643,754
Weighted average shares of common stock outstanding – diluted	37,551,740	37,792,266

Nine Months Ended September 30,	2020	2019
Earnings per share – basic	$ 0.77	$ 0.21
Earnings per share – diluted	$ 0.75	$ 0.20
Weighted average shares of common stock outstanding – basic	36,149,692	34,555,124
Weighted average shares of common stock outstanding – diluted	37,249,967	37,816,698

Below is a summary of the shares included in the diluted earnings per share computations:

Three Months Ended September 30,	2020	2019
Weighted average shares of common stock outstanding – basic	36,364,839	34,643,754
10% shares held back pursuant to indemnification clause	—	1,511,332
Stock options	187,843	299,536
Warrants	960,806	1,337,644
Restricted stock awards	38,252	—
Weighted average shares of common stock outstanding – diluted	37,551,740	37,792,266

Nine Months Ended September 30,	2020	2019
Weighted average shares of common stock outstanding – basic	36,149,692	34,555,124
10% shares held back pursuant to indemnification clause	—	1,511,332
Stock options	178,445	307,665
Warrants	890,489	1,442,577
Restricted stock awards	31,341	—
Weighted average shares of common stock outstanding – diluted	37,249,967	37,816,698

15. Variable Interest Entities (VIEs)

A VIE is defined as a legal entity whose equity owners do not have sufficient equity at risk, or, as a group, the holders of the equity investment at risk lack any of the following three characteristics: decision-making rights, the obligation to absorb losses, or the right to receive the expected residual returns of the entity. The primary beneficiary is identified as the variable interest holder that has both the power to direct the activities of the VIE that most significantly affect the entity's economic performance and the obligation to absorb expected losses or the right to receive benefits from the entity that could potentially be significant to the VIE.

The Company follows guidance on the consolidation of VIEs that requires companies to utilize a qualitative approach to determine whether it is the primary beneficiary of a VIE. See Note 2 – "Basis of Presentation and Summary of Significant Accounting Policies" to the accompanying consolidated financial statements for information on how the Company determines VIEs and its treatment.

The following table includes assets that can only be used to settle the liabilities of APC and its VIEs, including Alpha Care and Accountable Health Care, and to which the creditors of APC, including Alpha Care and Accountable Health Care, have no recourse to the Company, nor do creditors of the Company have recourse against the assets of APC, including Alpha Care and Accountable Health Care. These assets and liabilities, with the exception of the investment in a privately held entity that does not report net asset value per share and amounts due to affiliates, which are eliminated upon consolidation with NMM, are included in the accompanying consolidated balance sheets (in thousands).

	September 30, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	$ 94,751	$ 87,110
Restricted cash	—	75
Investment in marketable securities	118,262	123,948
Receivables, net	15,365	9,300
Receivables, net – related party	39,506	42,976
Other receivables	734	744
Prepaid expenses and other current assets	9,667	7,403
Loan receivable	6,425	6,425
Loan receivable – related parties	—	16,500
Total current assets	284,710	294,481
Noncurrent assets		
Land, property and equipment, net	8,877	9,547
Intangible assets, net	72,107	81,439
Goodwill	109,460	108,913
Investment in affiliates	310,491	318,315
Investment in privately held entities	36,584	1,615
Investments in other entities – equity method	27,268	28,427
Restricted cash	746	746
Operating lease right-of-use assets	6,654	4,751
Other assets	20,736	1,057
Total noncurrent assets	592,923	554,810
Total assets	$ 877,633	$ 849,291
Current liabilities		
Accounts payable and accrued expenses	$ 13,444	$ 11,187

	September 30, 2020	December 31, 2019
Fiduciary accounts payable	3,986	2,027
Medical liabilities	42,546	49,019
Income taxes payable	15,408	4,530
Amount due to affiliate	22,131	28,058
Dividends payable	485	271
Finance lease liabilities	102	102
Operating lease liabilities	1,300	1,088
Total current liabilities	99,402	96,282
Noncurrent liabilities		
Deferred tax liability	7,725	14,059
Finance lease liabilities, net of current portion	337	416
Operating lease liabilities, net of current portion	5,512	3,742
Total noncurrent liabilities	13,574	18,217
Total liabilities	$ 112,976	$ 114,499

The assets of the Company’s other consolidated VIEs were not considered significant.

16. Leases

The Company has operating and finance leases for corporate offices, doctors' offices, and certain equipment. These leases have remaining lease terms of1 month to 5 years, some of which may include options to extend the leases for up to 10 years, and some of which may include options to terminate the leases withinone year. As of September 30, 2020 and December 31, 2019, assets recorded under finance leases were $0.4 million and $0.5 million, respectively, and accumulated depreciation associated with finance leases were $0.3 million, for both periods.

Also, the Company rents or subleases certain real estate to third parties, which are accounted for as operating leases.

Leases with an initial term of 12 months or less are not recorded on the balance sheet.

The components of lease expense were as follows (in thousands):

	Three Months Ended September 30,	
	2020	2019
Operating lease cost	$ 1,784	$ 1,489
Finance lease cost		
Amortization of lease expense	26	26
Interest on lease liabilities	3	4
Sublease income	(206)	(103)
Total finance lease cost, net	$ 1,607	$ 1,416

	Nine Months Ended September 30,	
	2020	2019
Operating lease cost	$ 5,172	$ 3,832
Finance lease cost		
Amortization of lease expense	78	76
Interest on lease liabilities	11	13
Sublease income	(567)	(309)
Total finance lease cost, net	$ 4,694	$ 3,612

Other information related to leases was as follows (in thousands):

	Three Months Ended September 30,	
	2020	2019
Supplemental Cash Flows Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 1,489	$ 1,677
Operating cash flows from finance leases	$ 3	$ 4
Financing cash flows from finance leases	$ 26	$ 26
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	$ —	$ —

	Nine Months Ended September 30,	
	2020	2019
Supplemental Cash Flows Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 4,369	$ 3,950
Operating cash flows from finance leases	$ 11	$ 13
Financing cash flows from finance leases	$ 78	$ 76
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	$ 7,652	$ 15,417

	Nine Months Ended September 30,	
	2020	2019
Weighted Average Remaining Lease Term		
Operating leases	6.93 years	6.80 years
Finance leases	3.92 years	4.92 years
Weighted Average Discount Rate		
Operating leases	6.10 %	6.12 %
Finance leases	3.00 %	3.00 %

Future minimum lease payments under non-cancellable leases as of September 30, 2020 is as follows (in thousands):

September 30, 2020	**Operating Leases**	**Finance Leases**
2020 (excluding the nine months ended September 30, 2020)	$ 1,173	$ 30
2021	4,297	119
2022	3,529	119
2023	3,303	119
2024	2,940	79
Thereafter	9,459	—
Total future minimum lease payments	24,701	466
Less: imputed interest	4,795	27
Total lease liabilities	19,906	439
Less: current portion	3,290	102
Long-term lease liabilities	$ 16,616	$ 337

As of September 30, 2020, the Company does not have additional operating and finance leases that have not yet commenced.

17. Subsequent Events

Dividend

In September 2020, APC's board of directors declared an in-kind dividend of5 million shares of ApolloMed's common stock on a pro rata basis to APC's shareholders in November 2020. The shares being distributed is from the Excluded Assets that remain solely for the benefit of APC and its shareholders.

Promissory note

In October 2020, APC entered into a promissory note with AHMC, a related party of the Company, (the "2020 Note") as payee for a principal sum of $4.0 million with a maturity date of two years from the date of the agreement. The contractual interest rate on the 2020 Note is3.75% per annum. The funds lent pursuant to the 2020 Note are the same funds that were deposited for investment opportunities in March 2020 (the "March Deposit"). As with the March Deposit, the 2020 Note was entered into using cash strictly related to the Excluded Assets that were generated from the series of transactions with AP-AMH.

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 consolidated financial statements and the notes thereto included in Part I, Item 1, "Financial Statements" of this Quarterly Report on Form 10-Q. 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 Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 16, 2020.

Overview

We together with our affiliated physician groups and consolidated entities are a leading physician-centric, technology-enabled healthcare management company. Leveraging our proprietary population health management and healthcare delivery platform, we operate an integrated, value-based healthcare model, which aims to empower the providers in our network to deliver the highest quality of care to our patients in a cost-effective manner.

Headquartered in Alhambra, California, our subsidiaries include management services organizations ("MSOs"), affiliated independent practice associations ("IPAs") and a Next Generation Accountable Care Organization ("NGACO"). Network Medical Management, Inc. ("NMM") and Apollo Medical Management, Inc. ("AMM") are the administrative and managerial services companies for the affiliated physician owned professional corporations that contract with independent physicians to deliver medical services in-office and virtually under the Allied Physicians of California, a Professional Medical Corporation d.b.a. Allied Pacific of California IPA ("APC"), Alpha Care Medical Group, Inc. and Accountable Health Care IPA brands. These affiliates are supported by ApolloMed Hospitalists, a Medical Corporation ("AMH") and Southern California Heart Centers, a Medical Corporation ("SCHC"). Our NGACO operates under the APA ACO, Inc. ("APAACO") brand and participates in the Centers for Medicare & Medicaid Services program that allows provider groups to assume higher levels of financial risk and potentially achieve a higher reward from participation in the program's attribution-based risk sharing model.

Through our NGACO model and a network of IPAs with more than 7,000 contracted physicians, we are currently responsible for coordinating care for approximately 1.1 million patients in California.

Recent Developments

On November 5, 2020, the Integrated Healthcare Association ("IHA") recognized Allied Pacific of California IPA for our exceptional performance. Allied Pacific of California IPA performed in the top 10 percent of all participating physicians organizations in the Total Cost of Care Domain during measurement year 2019 in IHA's Align. Measure. Perform. ("AMP") Commercial HMO program. IHA honors physicians organizations with the highest level of performance for each AMP Commercial HMO measurement domain.

Key Financial Measures and Indicators

Operating Revenues

Our revenue primarily consists of capitation revenue, risk pool settlements and incentives, NGACO AIPBP revenue, management fee income and FFS revenue. The form of billing and related risk of collection for such services may vary by type of revenue and the customer.

Operating Expenses

Our largest expense is the patient care cost paid to contracted physicians, and the cost of providing management and administrative support services to our affiliated physician groups. These services include providing utilization and case management, physician practice billing, revenue cycle services, physician practice management, administrative oversight, coding services and other consulting services.

Results of Operations

Apollo Medical Holdings, Inc.
Consolidated Statements of Income
(In thousands)
(Unaudited)

	Three Months Ended September 30,			
	2020	2019	$ Change	% Change
Revenue				
Capitation, net	$ 135,032	$ 130,807	$ 4,225	3 %
Risk pool settlements and incentives	30,916	11,355	19,561	172 %
Management fee income	8,707	8,518	189	2 %
Fee-for-services, net	3,737	4,100	(363)	(9)%
Other income	1,731	1,280	451	35 %
Total revenue	180,123	156,060	24,063	15 %
Operating expenses				
Cost of services	121,823	131,130	(9,307)	(7)%
General and administrative expenses	16,270	7,950	8,320	105 %
Depreciation and amortization	4,674	4,920	(246)	(5)%
Impairment of intangibles	—	1,994	(1,994)	(100)%
Total expenses	142,767	145,994	(3,227)	(2)%
Income from operations	37,356	10,066	27,290	271 %
Other income				
Income from equity method investments	403	2,054	(1,651)	(80)%
Interest expense	(2,466)	(828)	(1,638)	198 %
Interest income	752	509	243	48 %
Other income	130	2,620	(2,490)	(95)%
Total other (expense) income, net	(1,181)	4,355	(5,536)	(127)%
Income before provision for income taxes	36,175	14,421	21,754	151 %
Provision for income taxes	10,751	3,682	7,069	192 %
Net income	25,424	10,739	14,685	137 %
Net income attributable to noncontrolling interest	8,711	7,035	1,676	24 %
Net income attributable to Apollo Medical Holdings, Inc.	$ 16,713	$ 3,704	$ 13,009	351 %

	For the Nine Months Ended September 30,			
	2020	2019	$ Change	% Change
Revenue				
Capitation, net	$ 416,402	$ 305,548	$ 110,854	36 %
Risk pool settlements and incentives	54,155	32,640	21,515	66 %
Management fee income	26,212	27,867	(1,655)	(6)%
Fee-for-services, net	9,434	12,059	(2,625)	(22)%
Other income	4,194	3,753	441	12 %
Total revenue	510,397	381,867	128,530	34 %
Operating expenses				
Cost of services	402,106	315,925	86,181	27 %
General and administrative expenses	39,660	30,031	9,629	32 %
Depreciation and amortization	14,004	13,793	211	2 %
Provision for doubtful accounts	—	(1,363)	1,363	(100)%
Impairment of intangibles	—	1,994	(1,994)	(100)%
Total expenses	455,770	360,380	95,390	26 %
Income from operations	54,627	21,487	33,140	154 %
Other income (expense)				
Income from equity method investments	3,291	1,162	2,129	183 %
Gain on sale of equity method investment	99,647	—	99,647	
Interest expense	(8,007)	(1,350)	(6,657)	493 %
Interest income	2,544	1,305	1,239	95 %
Other income	1,514	2,832	(1,318)	(47)%
Total other income, net	98,989	3,949	95,040	*
Income before provision for income taxes	153,616	25,436	128,180	*
Provision for income taxes	44,204	6,483	37,721	*
Net income	109,412	18,953	90,459	477 %
Net income attributable to noncontrolling interests	81,603	11,564	70,039	*
Net income attributable to Apollo Medical Holdings, Inc.	$ 27,809	$ 7,389	$ 20,420	276 %

* Percentage change of over 500%

Net Income Attributable to Apollo Medical Holdings, Inc.

Our net income attributable to Apollo Medical Holdings, Inc. for the three months ended September 30, 2020, was $16.7 million, as compared to $3.7 million for the same period in 2019, an increase of $13.0 million.

Our net income attributable to Apollo Medical Holdings, Inc. for the nine months ended September 30, 2020, was $27.8 million, as compared to $7.4 million for the same period in 2019, an increase of $20.4 million.

The increase in net income attributable to Apollo Medical Holdings, Inc. for the three and nine months ended September 30, 2020, was primarily driven by the completion of a series of transactions with APC as further described in Note 1 to our financial statements above, which resulted in preferred, cumulative dividends from APC being allocated to AP-AMH and the results of operations as described below.

Physician Groups and Patients

As of September 30, 2020 and 2019, we managed a total of 14 and 12 groups of affiliated physicians, respectively, and the total number of patients for whom we managed the delivery of healthcare services was approximately 1.1 million and 1.0 million, respectively. The increase was attributable to management services agreements we entered into with independent practice associations, Community Family Care Medical Group IPA, Inc. ("CFC") and Beverly Alliance IPA dba Beverly Alianza IPA, which contributed 0.1 million new members.

Revenue

Our revenue for the three months ended September 30, 2020, was $180.1 million, as compared to $156.1 million for the three months ended September 30, 2019, an increase of $24.0 million, or 15%. The increase in revenue was primarily attributable to the following:

(i) Capitation revenue increased by approximately $4.2 million driven by the acquisition of Accountable Health Care on August 30, 2019 and organic growth at APC, which contributed additional capitation revenue of approximately $6.5 million and $6.7 million, respectively. This increase was offset with a slight decrease in capitation revenue due to timing of $8.0 million of APAACO capitation revenue and the related claims expenditures incurred and $1.0 million of retroactive adjustments decreasing membership at Alpha Care.

(ii) Risk pool settlement and incentive revenue increased by $19.6 million primarily due to the shared savings earned related to the settlement of the 2019 ACO performance year of $19.8 million.

Our revenue for the nine months ended September 30, 2020 was $510.4 million, as compared to $381.9 million for the nine months ended September 30, 2019, an increase of $128.5 million, or 34%. The increase in revenue was primarily attributable to the following:

(i) Capitation revenue increased by approximately $110.9 million primarily due to our acquisitions of Alpha Care on May 31, 2019 and Accountable Health Care on August 30, 2019, which contributed additional revenue of approximately $52.0 million and $30.8 million, respectively, in addition to organic growth at APC of $11.2 million due to increased capitation rates. Further, APAACO generated additional capitation revenue of approximately $16.2 million for the nine months ended September 30, 2020 as compared September 30, 2019, due to the delayed start of the 2019 APAACO performance year which began on April 1, 2019 and resulted in less revenue in early 2019.

(ii) Risk pool revenue increased by $21.5 million primarily due to the shared savings earned related to the settlement of the 2019 ACO performance year of $19.8 million and the continued refinement of the assumptions used to estimate the amount of net surplus expected to be received from the affiliated hospitals' risk pools. Our estimated risk pool receivable is calculated based on reports received from our hospital partners and on management's estimate of the Company's portion of any estimated risk pool surpluses for which payments have not been received. The actual risk pool surpluses are settled approximately 18 months later.

(iii) Management fee income decreased by $1.7 million mainly due to our acquisition of Accountable Health Care, which reduced management fee income by $5.7 million, a decrease of $0.5 million in management fees due to timing of membership adjustments at LMA and a reduction in hospitalist stipend of $1.0 million as we focused our resources to our core hospital partners. This decrease was offset by management fee income of $5.5 million for the nine months ended September 30, 2020 generated from the management services agreement we entered into with CFC which became effective on January 1, 2020, and Beverly Alianza IPA, which became effective on July 1, 2020.

(iv) Fee-for-service revenue decreased by $2.6 million due to reduced procedures performed at our surgery centers and heart center as a result of the extended COVID-19 outbreak.

Cost of Services

Expenses related to cost of services for the three months ended September 30, 2020, were $121.8 million, as compared to $131.1 million for the same period in 2019, a decrease of $9.3 million, or 7%. The overall decrease was due to a $10.3 million decrease in medical claims, capitation and other health services expenses resulting from reduced elective procedures as a result of the COVID-19 outbreak offset by the $1.0 million increase in payroll expenses related to an increase in the number of employees related to the growth in both the depth and breadth of our operations in multiple markets.

Expenses related to cost of services for the nine months ended September 30, 2020, were $402.1 million, as compared to $315.9 million for the same period in 2019, an increase of $86.2 million, or 27%. The overall increase was due to a $90.6 million increase in medical claims, capitation and other health services expenses, primarily driven by the acquisition of Alpha Care, Accountable Health Care and AMG, in addition to increased costs at APAACO for the nine month period ended September 30, 2020, as compared to the same period in 2019 due to the delayed start of the 2019 APAACO performance year and a $5.2 million increase in payroll expenses related to an increase in the number of employees related to the growth in both the depth and breadth of our operations in multiple markets. The increased costs were offset by a net decrease of $10.0 million in bonus payments made to providers for the nine months ended September 30, 2020 as compared to the bonus payments made to providers during the same period in 2019.

General and Administrative Expenses

General and administrative expenses for the three months ended September 30, 2020, were $16.3 million, as compared to $8.0 million for the same period in 2019, an increase of $8.3 million, or 105%. The increase was primarily due to a $4.4 million increase in bonus paid to ACO physicians driven by the increase in shared savings earned related to the settlement of the 2019 ACO performance year and a reduction in professional services costs of $2.0 million specific to the three months ended September 30, 2019. The remaining increase was primarily due to continued growth in the depth and breadth of our operations in multiple markets.

General and administrative expenses for the nine months ended September 30, 2020 were $39.7 million, as compared to $30.0 million for the same period in 2019, an increase of $9.7 million, or 32%. The increase is primarily due to a $4.4 million increase in bonus paid to ACO physicians driven by the increase in shared savings earned related to the settlement of the 2019 ACO performance year and a reduction in professional services costs of $2.0 million specific to the three months ended September 30, 2019. The remaining increase was primarily due to continued growth in the depth and breadth of our operations in multiple markets.

Depreciation and Amortization

Depreciation and amortization expenses for the three months ended September 30, 2020 were $4.7 million, as compared to $4.9 million for the same period in 2019. This amount includes depreciation of property and equipment and the amortization of intangible assets.

Depreciation and amortization expenses for the nine months ended September 30, 2020 were $14.0 million, as compared to $13.8 million for the same period in 2019. This amount includes depreciation of property and equipment and the amortization of intangible assets.

Provision for Doubtful Accounts

For the nine months ended September 30, 2019, we released reserves related to certain management fees in the amount of approximately $1.4 million as collectability of the outstanding amount was no longer in doubt. These reserves were related to various preacquisition obligations of Accountable Health Care and were no longer necessary as a result of our acquisition of Accountable Health Care.

Impairment of Intangibles

For the three and nine months ended September 30, 2019, we recorded impairment of intangible assets totaling $2.0 million related to Medicare licenses obtained as part of the 2017 merger between NMM and ApolloMed. We no longer utilize the licenses and will not receive future economic benefits therefrom.

Income from Equity Method Investments

Income from equity method investments for the three months ended September 30, 2020, was $0.4 million, as compared to income from equity method investments of $2.1 million for the same period in 2019, a decrease of $1.7 million. The decrease was primarily due to a $1.8 million gain recognized related to our investment in Accountable Health Care resulting from our acquisition in August 2019.

Income from equity method investments for the nine months ended September 30, 2020, was $3.3 million, as compared to income from equity method investments of $1.2 million for the same period in 2019, an increase of $2.1 million. The increase was primarily due to equity earnings from our investment in UCI of $3.7 million, offset by equity loss from our investment in 531 W. College of $0.4 million, as the property is in redevelopment to a multi-specialty clinic, for the nine months ended September 30, 2020. This is compared with equity earnings from our investments in UCI, DMG, and PMIOC of $6.1 million, $0.7 million, and $0.2 million, respectively, offset with equity losses from our investments in LMA's IPA line of business and Accountable Health Care of $2.8 million and $2.7 million, respectively, and the recognition of an impairment loss of $0.3 million related to our investment in PASC for the nine months ended September 30, 2019.

Gain on Sale of Equity Method Investments

Gain on sale of equity method investments for the nine months ended September 30, 2020, was $99.6 million resulting from the sale of UCI which closed on April 30, 2020.

Interest Expense

Interest expense for the three months ended September 30, 2020, was $2.5 million, as compared to $0.8 million for the same period in 2019, an increase of $1.7 million. The increase was primarily due to the credit facility we secured in September 2019 to fund growth, primarily through acquisitions.

Interest expense for the nine months ended September 30, 2020, was $8.0 million, as compared to $1.4 million for the same period in 2019, an increase of $6.6 million. The increase was primarily due to the new credit facility we secured in September 2019 to fund growth, primarily through acquisitions.

Interest Income

Interest income for the three and nine months ended September 30, 2020, was $0.8 million and $2.5 million, respectively, as compared to $0.5 million and $1.3 million, respectively, for the three and nine months ended September 30, 2019. Interest income reflects interest earned on cash held in money market and certificate of deposit accounts and the interest from notes receivable.

Other Income

Other income for the three and nine months ended September 30, 2020, was $0.1 million and $1.5 million as compared to other income of $2.6 million and $2.8 million, respectively, for the same periods in 2019. The decrease in other income was primarily due to the assumption of a loan receivable as a result of the Accountable Health Care acquisition in August 2019.

Provision for Income Tax

Income tax expense was $10.8 million for the three months ended September 30, 2020, as compared to $3.7 million for the same period in 2019. The increase in tax expense was due to increased income in the three months ended September 30, 2020, period as compared to the same period in 2019, as described above.

Income tax expense was $44.2 million for the nine months ended September 30, 2020, as compared to $6.5 million for the same period in 2019. The increase in tax expense was due to increased income in the nine months ended September 30, 2020 period as compared to the same period in 2019, as described above.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests was $8.7 million for the three months ended September 30, 2020, compared to $7.0 million for the same period in 2019, an increase of $1.7 million. The increase was primarily driven by the increased income generated in the current period which resulted in additional income allocated to the noncontrolling interest.

Net income attributable to noncontrolling interests was $81.6 million for the nine months ended September 30, 2020, compared to $11.6 million for the same period in 2019, an increase of $70.0 million. The increase was primarily due to of sale of UCI in April 2020 where the gain remains strictly with the APC Excluded Assets and increased income generated in the current period which resulted in additional income allocated to the noncontrolling interest.

2020 Guidance

We are raising our previously disclosed full-year 2020 net income, Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), and adjusted EBITDA guidance as a result of a net shared savings settlement of $13.3 million (net of provider bonus) earned in the third quarter of 2020 as a reward from participating in an attribution-based risk sharing model. ApolloMed is raising its previously disclosed full-year 2020 net income, Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), and adjusted EBITDA guidance as a result of a net shared savings settlement of $13.3 million (net of provider bonus) earned in the third quarter of 2020 as a reward from participating in an attribution-based risk sharing model. Net income and EBITDA include the impact of the gain of approximately $99.6 million related to the sale of Universal Care Acquisition Partners, LLC's ("UCAP") 48.9% investment in Universal Care, Inc. ("UCI") to Bright Health Company of California, Inc. ("Bright"), which closed on April 30, 2020. As UCI was included in Excluded Assets and remained solely for the benefit of ApolloMed's affiliate, Allied Physicians of California, a Professional Medical Corporation, ("APC") and its shareholders, the gain on sale does not affect the net income attributable to ApolloMed and adjusted EBITDA attributable to ApolloMed.

Our guidance for the year ending December 31, 2020, is as follows:

- Maintaining total revenue between $665.0 million and $675.0 million due to impact of COVID-19 on FFS revenue,
- Raising net income from a range of $100.0 million to $110.0 million (disclosed on May 27, 2020) to a range of $110.0 million to $120.0 million,
- Raising EBITDA from a range of $155.0 million to $167.0 million (disclosed on May 27, 2020) to a range of $182.0 million to $194.0 million, and
- Raising adjusted EBITDA from a range of $75.0 million to $90.0 million (disclosed on March 12, 2020) to a range of $97.0 million to $112.0 million.

See "Guidance Reconciliation of Net Income to EBITDA and adjusted EBITDA" and "Use of Non-GAAP Financial Measures" for additional information. There can be no assurance that actual amounts will not be materially higher or lower than these expectations. See "Forward-Looking Statements" within this Quarterly Report on Form 10-Q.

Guidance Reconciliation of Net Income to EBITDA and Adjusted EBITDA

(in thousands)	Year Ending December 31, 2020	
	Low	**High**
Net income[1]	$ 110,000	$ 120,000
Depreciation and amortization	19,000	20,000
Provision for income taxes	46,000	47,000
Interest expense	10,000	11,000
Interest income	(3,000)	(4,000)
EBITDA[1]	182,000	194,000
Income from equity method investments[2]	(100,000)	(99,000)
EBITDA adjustment for recently acquired IPAs	15,000	17,000
Adjusted EBITDA	$ 97,000	$ 112,000

[1] Net income and EBITDA include the gain on sale of UCAP's 48.9% investment in UCI to Bright, which closed on April 30, 2020. UCAP is a 100% owned subsidiary of APC and its 48.9% investment in UCI was included in Excluded Assets and as such remained solely for the benefit of APC and its shareholders. As such, any proceeds or gain on sale has not affected the net income and adjusted EBITDA attributable to ApolloMed.

[2] Income from equity method investments is mainly attributed to the sale of UCAP's 48.9% investment in UCI to Bright, which closed on April 30, 2020. UCAP is a 100% owned subsidiary of APC and its 48.9% investment in UCI was included in Excluded Assets and as such remained solely for the benefit of APC and its shareholders. As such, any proceeds or gain on sale has not affected the net income and adjusted EBITDA attributable to ApolloMed.

Use of Non-GAAP Financial Measures

This Quarterly Report on Form 10-Q contains the non-GAAP financial measures EBITDA and adjusted EBITDA, of which the most directly comparable financial measure presented in accordance with GAAP is net (loss) income. These measures are not in accordance with, or an alternative to, U.S. generally accepted accounting principles, ("GAAP"), and may be different from other non-GAAP financial measures used by other companies. The Company uses adjusted EBITDA as a supplemental performance measure of our operations, for financial and operational decision-making, and as a supplemental means of evaluating period-to-period comparisons on a consistent basis. Adjusted EBITDA is calculated as earnings before interest, taxes, depreciation, and amortization, excluding income from equity method investments, provider bonuses, impairment of intangibles, provision of doubtful accounts and other income earned that is not related to the Company's normal operations. Adjusted EBITDA also excludes the effect on EBITDA of certain IPAs we recently acquired.

The Company believes the presentation of these non-GAAP financial measures provides investors with relevant and useful information as it allows investors to evaluate the operating performance of the business activities without having to account for differences recognized because of non-core or non-recurring financial information. When GAAP financial measures are viewed in conjunction with non-GAAP financial measures, investors are provided with a more meaningful understanding of ApolloMed's ongoing operating performance. In addition, these non-GAAP financial measures are among those indicators the Company uses as a basis for evaluating operational performance, allocating resources and planning and forecasting future periods. Non-GAAP financial measures are not intended to be considered in isolation, or as a substitute for, GAAP financial measures. To the extent this release contains historical or future non-GAAP financial measures, the Company has provided corresponding GAAP financial measures for comparative purposes. The reconciliation between certain GAAP and non-GAAP measures is provided above.

Liquidity and Capital Resources

Cash, cash equivalents and investment in marketable securities at September 30, 2020, totaled $284.4 million as compared to $219.7 million at December 31, 2019. Working capital totaled $235.2 million at September 30, 2020, as compared to $223.7 million at December 31, 2019, an increase of $11.5 million, or 5%.

We have historically financed our operations primarily through internally generated funds. We generate cash primarily from capitation contracts, risk pool settlements and incentives, fees for medical management services provided to our affiliated physician groups and fee-for-service reimbursements. We generally invest cash in money market accounts, which are classified as cash and cash equivalents. We believe we have sufficient liquidity to fund our operations through at least the next 12 months.

Our cash, cash equivalents and restricted cash increased by $62.8 million from $104.0 million at December 31, 2019, to $166.8 million at September 30, 2020. Cash provided by operating activities during the nine months ended September 30, 2020, was $48.8 million, as compared to $10.1 million for the nine months ended September 30, 2019. The increase was primarily driven by the timing of our working capital accounts. For the nine months ended September 30, 2020, receivable, net, receivable, net - related parties, and other receivable resulted in net cash inflow of $12.6 million as compared to cash outflow of $6.0 million for the same period in 2019, while accounts payable and accrued expenses and income taxes payable resulted in net cash inflow of $24.3 million as compared to cash outflow of $5.4 million for the nine months ended September 30, 2020 and September 30, 2019, respectively. This was offset with a non cash adjustment to net income related to deferred taxes of $6.1 million for the nine months ended September 30, 2020 as compared to $0.2 million for the same period in 2019.

Cash provided by from investing activities during the nine months ended September 30, 2020, was $66.4 million, primarily due to proceeds received related to the sale of UCI totaling $52.7 million and loan receivables of $16.5 million offset with cash outflow related to the purchase of marketable securities of $1.8 million, funding for an equity method investment of $0.5 million, and capital expenditures (mainly purchases of property and equipment) of $0.5 million. This is compared to cash used of $60.4 million for the nine months ended September 30, 2019 due to payments for business acquisition of $49.4 million, advances on loans receivable of $7.4 million, funding for an equity method investment of $3.0 million, and capital expenditures of $0.8 million offset with dividends received of $0.2 million.

Cash used in financing activities during the nine months ended September 30, 2020, was $52.3 million as compared to cash provided by financing activities of $173.7 million for the nine months ended September 30, 2019. Cash used for the nine months ended September 30, 2020 was due to the payments of dividends totaling $50.1 million, repayment on our term loan totaling $7.1 million and repurchase of shares of $1.6 million, offset with proceeds from exercise of stock options and warrants of $6.6 million. This is compared to cash provided by for the nine months period ended September 30, 2019 due to proceeds from borrowings on our line of credit of $289.6 million, proceeds from the exercise of stock options and warrants of $2.4 million and proceeds from common stock offering of $0.8 million offset with payments of dividends, repayments on our bank loan and lines of credit and cost of debt and equity issuance totaling $60.7 million, $52.6 million and $5.6 million respectively.

Excluded Assets

In September 2019, APC and AP-AMH entered into Second Amendment to Series A Preferred Stock Purchase Agreement clarifying the term Excluded Assets. "Excluded Assets" means (i) assets received from the sale of shares of the Series A Preferred equal to the Series A Purchase Price, (ii) the assets of the Company that are not Healthcare Services Assets, including the Company's equity interests in Universal Care, Inc., Apollo Medical Holdings, Inc., and any entity that is primarily engaged in the business of owning, leasing, developing or otherwise operating real estate, (iii) any assets acquired with the proceeds of the sale, assignment or other disposition of any of the assets described in clauses (i) or (ii), and (iv) any proceeds of the assets described in clauses (i), (ii) and (iii).

Excluded Assets consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Cash and cash equivalents	$ 23,957	$ 23,013
Investment in marketable securities	118,187	116,853
Land, property and equipment, net	5,096	5,137
Investments in other entities - equity method	17,070	18,360
Total Excluded Assets	$ 164,310	$ 163,363

Credit Facilities

The Company's credit facility consisted of the following (in thousands):

	September 30, 2020
Term loan A	$ 180,500
Revolver loan	60,000
Total debt	240,500
Less: Current portion of debt	(9,500)
Less: Unamortized financing costs	(4,949)
Long-term debt	$ 226,051

The following table presents scheduled commitments of the Company's credit facility is to be as follows for the years ending December 31 (in thousands):

	Amount
2020 (excluding the nine months ended September 30, 2020)	$ 2,375
2021	10,688
2022	14,250
2023	15,437
2024	197,750
Total	$ 240,500

Credit Agreement

In September 2019, the Company entered into a secured credit agreement (the "Credit Agreement," and the credit facility thereunder, the "Credit Facility") with Truist Bank (formerly known as SunTrust Bank), in its capacity as administrative agent for the lenders (in such capacity, the "Agent"), as a lender, an issuer of letters of credit and as swingline lender, and Preferred Bank, JPMorgan Chase Bank, N.A., MUFG Union Bank, N.A., Royal Bank of Canada, Fifth Third Bank and City National Bank, as lenders (the "Lenders"). In connection with the closing of the Credit Agreement, the Company, its subsidiary, NMM, and the Agent entered into a Guaranty and Security Agreement (the "Guaranty and Security Agreement"), pursuant to which, among other things, NMM guaranteed the obligations of the Company under the Credit Agreement.

The Credit Agreement provides for a five-year revolving credit facility to the Company of $100.0 million ("Revolver Loan"), which includes a letter of credit subfacility of up to $25.0 million. The Credit Agreement also provides for a term loan of $190.0 million, ("Term Loan A"). The unpaid principal amount of the term loan is payable in quarterly installments on the last day of each fiscal quarter commencing on December 31, 2019. The principal payment for each of the first eight fiscal quarters is $2.4 million, for the following eight fiscal quarters thereafter is $3.6 million and for the following three fiscal quarters thereafter is $4.8 million. The remaining principal payment on the term loan is due on September 11, 2024.

The proceeds of the term loan and up to $60.0 million of the revolving credit facility were used to (i) finance a portion of the AP-AMH Loan, (ii) refinance certain indebtedness of the Company and its subsidiaries and, indirectly, APC, (iii) pay transaction costs and expenses arising in connection with the Credit Agreement, the AP-AMH Loan and certain other related transactions and (iv) provide for working capital, capital expenditures and other general corporate purposes. The remainder of the revolving credit facility will be used to finance future acquisitions and investments and to provide for working capital needs, capital expenditures and other general corporate purposes.

The Company is required to pay an annual facility fee of between 0.20% to 0.35% on the available commitments under the Credit Agreement, regardless of usage, with the applicable fee determined on a quarterly basis based on the Company's leverage ratio. The Company is also required to pay customary fees as specified in a separate fee agreement between the Company and SunTrust Robinson Humphrey, Inc. (now known as Truist Securities Inc.), the lead arranger of the Credit Agreement.

Amounts borrowed under the Credit Agreement will bear interest at an annual rate equal to either, at the Company's option, (a) the rate for Eurocurrency deposits for the corresponding deposits of U.S. dollars appearing on Reuters Screen LIBOR01 Page ("LIBOR"), adjusted for any reserve requirement in effect, plus a spread of between 2.00% and 3.00%, as determined on a quarterly basis based on the Company's leverage ratio, or (b) a base rate, plus a spread between 1.00% and 2.00%, as determined on a quarterly basis based on the Company's leverage ratio. As of September 30, 2020, the interest rate on Term Loan A for the 2020 commitment and future commitments was 2.72% and 2.77%, respectively. As of September 30, 2020, the interest rate on the Revolver Loan was 2.77%. The base rate is defined in a manner such that it will not be less than LIBOR. The Company will pay fees for standby letters of credit at an annual rate of between 2.00% and 3.00%, as determined on a quarterly basis based on the Company's leverage ratio, plus facing fees and standard fees payable to the issuing bank on the respective letter of credit. Loans outstanding under the Credit Agreement may be prepaid at any time without penalty, except for LIBOR breakage costs and expenses. If LIBOR ceases to be reported, the Credit Agreement requires the Company and the Agent to endeavor to establish a commercially reasonable alternative rate of interest and until they are able to do so, all borrowings must be at the base rate.

The Credit Agreement requires the Company and its subsidiaries to comply with various affirmative covenants, including, without limitation, furnishing updated financial and other information, preserving existence and entitlements, maintaining properties and insurance, complying with laws, maintaining books and records, requiring any new domestic subsidiary meeting a materiality threshold specified in the Credit Agreement to become a guarantor thereunder and paying obligations. The Credit Agreement requires the Company and its subsidiaries to comply with, and to use commercially reasonable efforts to the extent permitted by law to cause certain material associated practices of the Company, including APC, to comply with, restrictions on liens, indebtedness and investments (including restrictions on acquisitions by the Company), subject to specified exceptions. The Credit Agreement also contains various other negative covenants binding the Company and its subsidiaries, including, without limitation, restrictions on fundamental changes, dividends and distributions, sales and leasebacks, transactions with affiliates, burdensome agreements, use of proceeds, maintenance of business, amendments of organizational documents, accounting changes and prepayments and modifications of subordinated debt.

The Credit Agreement requires the Company to comply with two key financial ratios, each calculated on a consolidated basis.

Covenant Ratios [(1)]	Requirement	September 30, 2020
Consolidated leverage ratio	Less than 3.75 to 1.00	1.79
Consolidated interest coverage ratio	Greater than 3.25 to 1.00	10.33

(1) All covenant ratio titles utilize terms as defined in the respective debt agreements.

Pursuant to the Guaranty and Security Agreement, the Company and NMM have granted the Lenders a security interest in all of their assets, including, without limitation, all stock and other equity issued by their subsidiaries (including NMM) and all rights with respect to the AP-AMH Loan. The Guaranty and Security Agreement requires the Company and NMM to comply with various affirmative and negative covenants, including, without limitation, covenants relating to maintaining perfected security interests, providing information and documentation to the Agent, complying with contractual obligations relating to the collateral, restricting the sale and issuance of securities by their respective subsidiaries and providing the Agent access to the collateral.

The Credit Agreement contains events of default, including, without limitation, failure to make a payment when due, default on various covenants in the Credit Agreement, breach of representations or warranties, cross-default on other material indebtedness, bankruptcy or insolvency, occurrence of certain judgments and certain events under the Employee Retirement Income Security Act of 1974 aggregating more than $10.0 million, invalidity of the loan documents, any lien under the Guaranty and Security Agreement ceasing to be valid and perfected, any change in control, as defined in the Credit Agreement, an event of default under the AP-AMH Loan, failure by APC to pay dividends in cash for any period of two consecutive fiscal quarters, failure by AP-AMH to pay cash interest to the Company, or if any modification is made to the Certificate of Determination or the Special Purpose Shareholder Agreement that directly or indirectly restricts, conditions, impairs, reduces or otherwise limits the payment of the Series A Preferred dividend by APC to AP-AMH. In addition, it will constitute an event of default under the Credit Agreement if APC uses all or any portion of the consideration received by APC from AP-AMH on account of AP-AMH's purchase of Series A Preferred Stock for any purpose other than certain specific approved uses described in the following sentence, unless not less than 50.01% of all holders of common stock of APC at such time approve such use; provided that APC may use up to $50.0 million in the aggregate of such consideration for any purpose without any requirement to obtain such approval of the holders of common stock of APC. The approved uses include (i) any permitted investment, (ii) any dividend or distribution to the holders of the common stock of APC, (iii) any repurchase of common stock of APC, (iv) paying taxes relating to or arising from certain assets and transactions, or (v) funding losses, deficits or working capital support on account of certain non-healthcare assets in an amount not to exceed $125.0 million. If any event of default occurs and is continuing under the Credit Agreement, the Lenders may terminate their commitments, and may require the Company and its guarantors to repay outstanding debt and/or to provide a cash deposit as additional security for outstanding letters of credit. In addition, the Agent, on behalf of the Lenders, may pursue remedies under the Guaranty and Security Agreement, including, without limitation, transferring pledged securities of the Company's subsidiaries in the name of the Agent and exercising all rights with respect thereto (including the right to vote and to receive dividends), collect on pledged accounts, instruments and other receivables (including the AP-AMH Loan), and all other rights provided by law or under the loan documents and the AP-AMH Loan.

In the ordinary course of business, certain of the Lenders under the Credit Agreement and their affiliates have provided to the Company and its subsidiaries and the associated practices, and may in the future provide, (i) investment banking, commercial banking (including pursuant to certain existing business loan and credit agreements being terminated in connection with entering into the Credit Agreement), cash management, foreign exchange or other financial services, and (ii) services as a bond trustee and other trust and fiduciary services, for which they have received compensation and may receive compensation in the future.

Deferred Financing Costs

In September 2019, the Company recorded deferred financing costs of $6.5 million related to the issuance of the Credit Facility. This amount was recorded as a direct reduction of the carrying amount of the related debt liability. The deferred financing costs will be amortized over the life of the Credit Facility using the effective interest rate method.

Effective Interest Rate

The Company's average effective interest rate on its total debt during the nine months ended September 30, 2020 and 2019, was 3.79% and 1.31%, respectively. Interest expense in the consolidated statements of income included amortization of deferred debt issuance costs for the three and nine months ended September 30, 2020 and 2019, of $0.3 million and 0.1 million, respectively, and $1.0 million and $0.1 million, respectively.

Lines of Credit – Related Party

NMM Business Loan

On June 14, 2018, NMM amended its promissory note agreement with Preferred Bank ("NMM Business Loan Agreement"), which provides for loan availability of up to $20.0 million with a maturity date of June 22, 2020. One of the Company's board members is the chairman and CEO of Preferred Bank. The NMM Business Loan Agreement was subsequently amended on September 1, 2018, to temporarily increase the loan availability from $20.0 million to $27.0 million for the period from September 1, 2018 through January 31, 2019, further extended to October 31, 2019, to facilitate the issuance of an additional standby letter of credit for the benefit of CMS. The interest rate is based on the Wall Street Journal "prime rate," plus 0.125%, or 5.625% as of December 31, 2018. The loan was guaranteed by Apollo Medical Holdings, Inc. and is collateralized by substantially all of the assets of NMM. The amount outstanding as of June 30, 2019, of $5.0 million was fully repaid on September 11, 2019.

On September 5, 2018, NMM entered into a non-revolving line of credit agreement with Preferred Bank, which provides for loan availability of up to $20.0 million with a maturity date of September 5, 2019. This credit facility was subsequently amended on April 17, 2019, and July 29, 2019, to reduce the loan availability from $20.0 million to $16.0 million and from $16.0 million to $2.2 million, respectively. The interest rate is based on the Wall Street Journal “prime rate,” plus 0.125%, or 3.375% as of September 30, 2020, and 4.875% as of December 31, 2019. The line of credit is guaranteed by Apollo Medical Holdings, Inc. and is collateralized by substantially all assets of NMM. NMM obtained this line of credit to finance potential acquisitions. Each drawdown from the line of credit is converted into a five-year term loan with monthly principal payments, plus interest based on a five-year amortization schedule.

On September 11, 2019, the NMM Business Loan Agreement, dated as of June 14, 2018, between NMM and Preferred Bank, as amended, and the Line of Credit Agreement, dated as of September 5, 2018, between NMM and Preferred Bank, as amended, were terminated in connection with the closing of the credit facility. Certain letters of credit issued by Preferred Bank under the Line of Credit Agreement were terminated and reissued under the Credit Agreement. As of September 30, 2020, outstanding letters of credit totaled $8.2 million and the Company has $10.2 million available under the revolving credit facility for letters of credit.

APC Business Loan

On June 14, 2018, APC amended its promissory note agreement with Preferred Bank, which provides for loan availability of up to $10.0 million with a maturity date of June 22, 2020. This credit facility was subsequently amended on April 17, 2019, and June 11, 2019, to increase the loan availability from $10.0 million to $40.0 million and extend the maturity date through December 31, 2020. On August 1, 2019, and September 10, 2019, this credit facility was further amended to increase loan availability from $40.0 million to $43.8 million, and decrease loan availability from $43.8 million to $4.1 million, respectively. This decrease further limited the purpose of the indebtedness under APC Business Loan Agreement to the issuance of standby letters of credit, and added as a permitted lien the security interest in all of its assets granted by APC in favor of NMM under a Security Agreement dated on or about September 11, 2019, securing APC’s obligations to NMM under, and as required pursuant to, the APC management services agreement dated as of July 1, 1999, as amended. The interest rate is based on the Wall Street Journal “prime rate,” plus 0.125%, or 3.375% and 4.875% as of September 30, 2020 and December 31, 2019, respectively. As of September 30, 2020 and December 31, 2019, there was no availability under this line of credit.

Intercompany Loans

Each of AMH, MMG, BAHA, AKM Medical Group, Inc. ("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 such 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 the shareholder of record 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. All the intercompany loans have been eliminated in consolidation (in thousands).

			Nine Months Ended September 30, 2020			
Entity	Facility	Interest Rate per Annum	Maximum Balance During Period	Ending Balance	Principal Paid During Period	Interest Paid During Period
AMH	$ 10,000	10 %	$ 6,391	$ 6,391	$ —	$ —
MMG	3,000	10 %	3,663	3,663	—	—
AKM	5,000	10 %	—	—	—	—
SCHC	5,000	10 %	5,180	5,180	—	—
BAHA	250	10 %	4,066	3,945	—	—
	$ 23,250		$ 19,300	$ 19,179	$ —	$ —

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires our management to make judgments, assumptions and estimates that affect the amounts of revenue, expenses, income, assets and liabilities, reported in our consolidated financial statements and accompanying notes. Actual results and the timing of recognition of such amounts could differ from those judgments, assumptions and estimates. In addition, judgments, assumptions and estimates routinely require adjustment based on changing circumstances and the receipt of new or better information. Understanding our accounting policies and the extent to which our management uses judgment, assumptions and estimates in applying these policies, therefore, is integral to understanding our financial statements. Critical accounting policies and estimates 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 summarize our most significant accounting policies in relation to the accompanying consolidated financial statements in Note 2 thereto. Please also refer to 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 for the fiscal year ended December 31, 2019.

New Accounting Pronouncements

See Note 2 to the accompanying consolidated financial statements for recently issued accounting pronouncements, including information on new accounting standards and the future adoption of such standards.

Off-Balance Sheet Arrangements

As of September 30, 2020, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Inflation

Inflation and changing prices have had de minimis effect on our continuing operations over our two most recent fiscal years.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Borrowings under our Credit Agreement exposed us to interest rate risk. As of September 30, 2020, we had $240.5 million in outstanding borrowings under our Credit Agreement. The amount borrowed under the Credit Agreement bears interest at an annual rate equal to either, at the Company's option, (a) the rate for Eurocurrency deposits for the corresponding deposits of U.S. dollars appearing on LIBOR, adjusted for any reserve requirement in effect, plus a spread of 2.00% to 3.00%, as determined on a quarterly basis based on the Company's leverage ratio, or (b) a base rate, plus a spread of 1.00% to 2.00%, as determined on a quarterly basis based on the Company's leverage ratio. The base rate is defined in a manner such that it will not be less than LIBOR. The Company will pay fees for standby letters of credit at an annual rate equal to 2.00% to 3.00%, as determined on a quarterly basis based on the Company's leverage ratio, plus facing fees and standard fees payable to the issuing bank on the respective letter of credit. A hypothetical 1% change in our interest rates would have increased or decreased our interest expense for the three months ended September 30, 2020, by $2.4 million.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of September 30, 2020, we carried out an evaluation, under the supervision and with the participation of our management, including our Co-Chief Executive Officers and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including Co-Chief Executive Officers and Chief Financial Officer, concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15(d)-15(e) under the Exchange Act, were effective as of September 30, 2020, to ensure that information required to be disclosed by us in this Quarterly Report on Form 10-Q or submitted under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to our management, including our principal executive officers and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under Exchange Act) during our third fiscal quarter of 2020 that have materially affected, or are 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 from time to time 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. Many of the Company's payor and provider contracts are complex in nature and may be subject to differing interpretations regarding amounts due for the provision of medical services, which may not come to light until a substantial period of time has passed following contract implementation. We may also become subject to other lawsuits which could involve significant claims and/or significant defense costs, but as of the date of this Quarterly Report on Form 10-Q, except as disclosed, we are not a party to any lawsuit or proceeding, which in the opinion of management is expected to individually or in the aggregate have a material adverse effect on us or our business. The resolution of any claim or litigation is subject to inherent uncertainty and could have a material adverse effect on the Company's financial condition, cash flows or results of operations.

ITEM 1A. RISK FACTORS

Our business, financial condition and operating results are affected by a number of factors, whether currently known or unknown, including risks specific to us or the healthcare industry, as well as risks that affect businesses in general. In addition to the information and risk factors set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 16, 2020. The risks disclosed in such Annual Report and in this Quarterly Report could materially adversely affect our business, financial condition, cash flows or results of operations and thus our stock price. We believe there have been no material changes in our risk factors from those disclosed in the Annual Report except as described below. However, additional risks and uncertainties not currently known or which we currently deem to be immaterial may also materially adversely affect our business, financial condition or results of operations.

These risk factors may be important to understanding other statements in this Quarterly Report and should be read in conjunction with the consolidated financial statements and related notes in Part I, Item 1, "Financial Statements" and Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q. Because of such risk factors, as well as other factors affecting the Company's financial condition and operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

The current outbreak of the novel coronavirus disease, or COVID-19, or the future outbreak of any other highly infectious or contagious diseases, could adversely impact or cause disruption to our business, financial condition and results of operations.

An epidemic outbreak or other public health crisis nationally or in the markets where we operate could adversely affect our operations and financial results. For example, the recent outbreak of COVID-19, the World Health Organization declared a pandemic on March 11, 2020, and which the U.S. declared a national emergency on March 13, 2020, has caused governments and the private sector globally to take a number of drastic precautionary measures to contain the spread of the coronavirus, including the restriction and suspension of in-person classes at schools, colleges and universities, the cancellation of public events and other nonessential mass gatherings and the implementation of work from home, stay at home and other quarantine directives. The potential impact and duration of the COVID-19 pandemic has had, and continues to have, a significant adverse impact across regional and global economies and financial markets. The global impact of the outbreak has been rapidly evolving and as new cases of the virus have continued, particularly in the U.S., countries around the world and states around the U.S., have reacted by instituting quarantines and restrictions on travel.

Almost every state implemented shelter-in-place or stay-at-home directives between March and May 2020, including, among others, Los Angeles and San Bernardino counties, and the state of California, where we operate. The lockdown restrictions implemented included quarantines, restrictions on travel, shelter-in-place orders, school closures, restrictions on types of business that may continue to operate, and/or restrictions on types of construction projects that could continue. These quarantines generally came with exceptions for essential healthcare and public health operations, among other essential businesses. Beginning in early May 2020, the U.S. began to lift the lockdown restrictions and allow for the reopening of businesses. The gradual reopening of retail, manufacturing, and office facilities came with required or recommended safety protocols. There is no assurance that the reopening of businesses, even if those businesses adhere to recommended safety protocols, will enable us or our subsidiaries, VIEs, affiliated IPAs, contracted physician groups, service providers and suppliers to avoid adverse effects on our or their operations and businesses. Due to the increase in the number of COVID-19 cases after the reopening of many states beginning in early June 2020, there is no assurance that local and state governments will not reinstitute new lockdown directives.

In order to protect our employees, we have implemented a number of precautionary measures, including a work from home policy, under which the vast majority of our employees currently operate. To date, such measures have not had a substantial impact on employee attendance or productivity, and have not adversely affected our ability to recruit, attract or retain skilled personnel. Our operations, including our ability to effectively provide management services to our affiliated IPAs and contracted physician groups in compliance with regulatory requirements have not been impacted, however, if the outbreak continues to worsen it may cause disruptions to critical infrastructures and our supply chains and the supply chains of our affiliated IPAs and contracted physician groups, including the supply of pharmaceuticals and medical supplies. The duration and extent of the impact from the coronavirus outbreak depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the extent and effectiveness of containment actions. If we are not able to respond to and manage the impact of such events effectively, our business could be harmed.

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

During the three months ended September 30, 2020, the Company issued an aggregate of 499,663 shares of common stock and received approximately $3,404,374 from the exercise of certain warrants at exercise prices ranging between $9.00 and $10.00 per share. The foregoing issuances were exempt from the registration provisions of the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof, and/or Regulation D promulgated thereunder.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are either incorporated by reference into or filed or furnished with this Quarterly Report on Form 10-Q, as indicated below.

Exhibit No.	Description
2.1†	Agreement and Plan of Merger, dated December 21, 2016, among Apollo Medical Holdings, Inc., Network Medical Management, Inc., Apollo Acquisition Corp. and Kenneth Sim, M.D. (the "Merger Agreement") (incorporated herein by reference to Annex A to the joint proxy statement/prospectus filed pursuant to Rule 424(b)(3) on November 15, 2017 that is a part of a Registration Statement on Form S-4)
2.2	Amendment to the Merger Agreement, dated March 30, 2017, among Apollo Medical Holdings, Inc., Network Medical Management, Inc., Apollo Acquisition Corp. and Kenneth Sim, M.D. (incorporated herein by reference to Annex A to the joint proxy statement/prospectus filed pursuant to Rule 424(b)(3) on November 15, 2017 that is a part of a Registration Statement on Form S-4)
2.3	Amendment No. 2 to the Merger Agreement, dated October 17, 2017, among Apollo Medical Holdings, Inc., Network Medical Management, Inc., Apollo Acquisition Corp. and Kenneth Sim, M.D. (incorporated herein by reference to Annex A to the joint proxy statement/prospectus filed pursuant to Rule 424(b)(3) on November 15, 2017 that is a part of a Registration Statement on Form S-4)
2.4†	Stock purchase agreement dated March 15, 2019 (incorporated herein by reference to Exhibit 2.4 to the Company's Quarterly Report on Form 10-Q filed on May 10, 2019)
3.1	Restated Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 21, 2015)
3.2	Certificate of Amendment of Restated Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 27, 2015)
3.3	Certificate of Amendment of Restated Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 13, 2017)
3.4	Certificate of Amendment of Restated Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed June 21, 2018)
3.5	Restated Bylaws (incorporated herein by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed on November 16, 2015)
3.6	Amendment to Sections 3.1 and 3.2 of Article III of Bylaws (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on December 13, 2017)
3.7	Amendment to Sections 3.1 and 3.2 of Article III of Bylaws (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on June 21, 2018)
31.1*	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3*	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32**	Certification of Principal Executive Officers and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
*	Filed herewith.
**	Furnished herewith
†	The schedules and exhibits thereof have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished to the SEC upon request.

SIGNATURE

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 9, 2020	By:	/s/ Kenneth Sim
		Kenneth Sim, M.D. Executive Chairman & Co-Chief Executive Officer (Principal Executive Officer)
Dated: November 9, 2020	By:	/s/ Thomas Lam
		Thomas Lam, M.D., M.P.H. Co-Chief Executive Officer & President (Principal Executive Officer)
Dated: November 9, 2020	By:	/s/ Eric Chin
		Eric Chin Chief Financial Officer and Interim Co-Chief Operating Officer (Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth Sim, M.D., certify that:

1. I have reviewed this quarterly 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 report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 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; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2020

/s/ Kenneth Sim

Kenneth Sim
Executive Chairman and Co-Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas Lam, M.D., certify that:

1. I have reviewed this quarterly 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 report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 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; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2020

/s/ Thomas Lam

Thomas Lam
Co-Chief Executive Officer and President
(Principal Executive Officer)

EXHIBIT 31.3

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric Chin, certify that:

1. I have reviewed this quarterly 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 report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 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; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2020

/s/ Eric Chin

Eric Chin
Chief Financial Officer and Interim Co-Chief Operating Officer
(Principal Financial Officer)

EXHIBIT 32

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICERS AND PRINCIPAL FINANCIAL OFFICER

PURSUANT TO

18 U.S.C. SECTION 1350.

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth Sim, M.D., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Apollo Medical Holdings, Inc. for the quarter ended September 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Apollo Medical Holdings, Inc.

Date: November 9, 2020

/s/ Kenneth Sim

Kenneth Sim
Executive Chairman and Co-Chief Executive Officer
(Principal Executive Officer)

I, Thomas Lam, M.D., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Apollo Medical Holdings, Inc. for the quarter ended September 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Apollo Medical Holdings, Inc.

Date: November 9, 2020

/s/ Thomas Lam

Thomas Lam
Co-Chief Executive Officer and President
(Principal Executive Officer)

I, Eric Chin, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Apollo Medical Holdings, Inc. for the quarter ended September 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Apollo Medical Holdings, Inc.

Date: November 9, 2020

/s/ Eric Chin

Eric Chin
Chief Financial Officer and Interim Co-Chief Operating Officer
(Principal Financial Officer)