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 **March 31, 2019**

☐ **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	**95-4472349**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1668 S. Garfield Avenue, 2nd Floor, Alhambra, CA 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 Shares, par value $0.001 per share	AMEH	Nasdaq Capital Market

As of May 3, 2019, there were 35,768,076 shares of common stock of the registrant, $0.001 par value per share, issued and outstanding

APOLLO MEDICAL HOLDINGS, INC.

INDEX TO FORM 10-Q FILING

TABLE OF CONTENTS

INTRODUCTORY NOTE

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

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 document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, 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, any statements about our future business, financial condition, strategic transactions (including mergers, acquisitions and management services agreements), sources of revenue, operating results, plans, objectives, expectations and intentions, any projections of earnings, revenue or other financial items, such as our projected capitation from CMS and our future liquidity; any statements of any plans, targets, strategies and objectives of management for future operations such as any material opportunities that we believe exist for our company; any statements concerning anticipated, proposed or prospective services, developments, timelines, costs, investments, returns, effects or results, such as our outlook regarding our NGACO, and our strategic transactions, including the prospects of and future investments for our 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 of our company; 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," "plan," "envision," "intend," "continue," "target," "seek," "will," "would," and the negative of such terms, other variations on such terms or other similar or comparable words, phrases or terminology. Forward-looking statements reflect current views with respect to future events and condition and are based on current estimates, expectations and assumptions only as of the date of this Quarterly Report on Form 10-Q and therefore are speculative in nature and subject to change. Although we believe that the expectations reflected in our forward-looking statements are reasonable, 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 condition, outcomes and results to differ materially from those indicated by such statements. Should one or more of these risks or uncertainties materialize, or should any expectations or assumptions underlying the relevant forward-looking statements prove incorrect, it could significantly affect our operations and may cause the actual actions, results, financial condition, performance or achievements of the Company and its consolidated subsidiaries and consolidated variable interest entities to be substantially different from any future actions, results, financial condition, performance or achievements, expressed or implied by any such forward-looking statements, as being expected, anticipated, intended, planned, believed, sought, estimated or projected on the basis of historical trends.

Some of the key factors impacting these risks and uncertainties include, but are not limited to:

- risks related to our ability to successfully locate new strategic targets and integrate our operations following mergers, acquisitions or other strategic transactions, including that the integration may be more costly or more time consuming and complex than anticipated and that synergies anticipated to be realized may not be fully realized or may take longer to realize than expected;
- our dependence on a few key payors;
- changes in federal and state programs and policies regarding medical reimbursements and capitated payments for health services we provide;

- the success of our focus on our NGACO, to which we have devoted, and intend to continue to devote, considerable effort and resources, financial and otherwise, including whether we can manage medical costs for patients assigned to us within the capitation received from CMS and whether we can continue to participate in the All-Inclusive Population-Based Payment Mechanism ("AIPBP Mechanism") of the NGACO Model as payments thereunder represent a significant part of our total revenues;

- our expenses may exceed capitation payments, whether from CMS under the AIPBP Mechanism or health plans, which could lead to substantial losses, and uncertainty related to the final settlements of such incurred expenses and our actual earnings that are generally determined in subsequent periods;

- general economic uncertainty;

- the impact of emerging and existing competitors;

- any adverse development in general market, business, economic, labor, regulatory and political conditions;

- changing government programs in which we participate for the provision of health services and on which we are also significantly dependent in generating revenue;

- changes in laws and regulations and other market-wide developments affecting our industry in general and our operations in particular, including the impact of any change to applicable laws and regulations relating to trade, monetary and fiscal policies, taxes, price controls, regulatory approval of new products, registration and licensure, healthcare reform and reimbursements for medical services from private insurance, on which we are significantly dependent in generating revenue and the impact, including additional costs, of mandates and other obligations that may be imposed upon us as a result of new or revised federal and state healthcare laws;

- risks related to our ability to raise capital as equity or debt to finance our growth and strategic transactions;

- our ability to retain key individuals, including members of senior management;

- the impact of rigorous competition in the healthcare industry;

- the impact of any potential future impairment of our assets;

- the effectiveness of our compliance and control initiatives;

- risks related to changes in accounting literature or accounting interpretations; and

- the fluctuations in the market value of our securities.

For a detailed description of these and other factors that could cause our actual results to differ materially from those expressed in any forward-looking statement, please see Item 1A entitled "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2018 as filed with the U.S. Securities and Exchange Commission ("SEC") on March 18, 2019. In light of the foregoing, investors are advised to carefully read this Quarterly Report on Form 10-Q and our most recent Annual Report on Form 10-K in connection with the important disclaimers set forth above and are urged not to rely on any forward-looking statements in reaching any conclusions or making any investment decisions about us or our securities. Except as required by law, we do not intend, and undertake no obligation, to update any statement, whether as a result of the receipt of new information, the occurrence of future events, the change of circumstances or otherwise. We further do not accept any responsibility for any projections or reports published by analysts, investors or other third parties.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 93,007,780	$ 106,891,503
Investment in marketable securities	1,143,006	1,127,102
Receivables, net	6,640,236	7,127,217
Receivables, net – related parties	55,888,846	49,328,739
Other receivables	12,247,776	1,003,133
Prepaid expenses and other current assets	7,984,419	7,385,098
Total current assets	176,912,063	172,862,792
Noncurrent assets		
Land, property and equipment, net	12,332,342	12,721,082
Intangible assets, net	83,056,658	86,875,883
Goodwill	185,805,880	185,805,880
Loans receivable – related parties	17,500,000	17,500,000
Investment in other entities – equity method	34,027,323	34,876,980
Investment in a privately held entity that does not report net asset value per share	405,000	405,000
Restricted cash	740,212	745,470
Right-of-use assets	8,528,159	-
Other assets	1,551,359	1,205,962
Total noncurrent assets	343,946,933	340,136,257
Total assets	$ 520,858,996	$ 512,999,049

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

	March 31, 2019	December 31, 2018
Liabilities, Mezzanine Equity and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued expenses	$ 47,654,471	$ 25,075,489
Fiduciary accounts payable	2,084,926	1,538,598
Medical liabilities	23,265,865	33,641,701
Income taxes payable	12,831,839	11,621,861
Bank loan	-	40,257
Finance lease obligation	101,741	101,741
Lease liabilities	2,461,924	-
Total current liabilities	88,400,766	72,019,647
Noncurrent liabilities		
Lines of credit – related party	13,000,000	13,000,000
Deferred tax liability	16,992,790	19,615,935
Liability for unissued equity shares	1,185,025	1,185,025
Finance lease obligation	492,110	517,261
Lease liabilities	5,977,145	-
Total noncurrent liabilities	37,647,070	34,318,221
Total liabilities	126,047,836	106,337,868
Commitments and Contingencies (Note 10)		
Mezzanine equity		
Noncontrolling interest in Allied Pacific of California IPA ("APC")	212,434,390	225,117,029
Stockholders' equity		
Series A Preferred stock, par value $0.001; 5,000,000 shares authorized (inclusive of Series B Preferred stock); 1,111,111 issued and zero outstanding	-	-
Series B Preferred stock, par value $0.001; 5,000,000 shares authorized (inclusive of Series A Preferred stock); 555,555 issued and zero outstanding	-	-
Common stock, par value $0.001; 100,000,000 shares authorized, 34,503,704 and 34,578,040 shares outstanding, excluding 1,944,054 and 1,850,603 treasury shares, at March 31, 2019 and December 31, 2018, respectively	34,504	34,578
Additional paid-in capital	163,005,851	162,723,051
Retained earnings	17,927,867	17,788,203
	180,968,222	180,545,832
Noncontrolling interest	1,408,548	998,320
Total stockholders' equity	182,376,770	181,544,152
Total liabilities, mezzanine equity and stockholders' equity	$ 520,858,996	$ 512,999,049

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

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

	Three Months Ended March 31,	
	2019	**2018**
Revenue		
Capitation, net	$ 71,516,778	$ 85,905,284
Risk pool settlements and incentives	10,093,841	17,986,736
Management fee income	8,996,600	12,074,572
Fee-for-service, net	4,080,674	6,236,628
Other income	1,069,278	1,720,026
Total revenue	95,757,171	123,923,246
Operating expenses		
Cost of services	83,432,474	84,614,686
General and administrative expenses	10,263,960	11,301,237
Depreciation and amortization	4,417,581	5,058,512
Provision for doubtful accounts	951,014	247,102
Total expenses	99,065,029	101,221,537
(Loss) income from operations	(3,307,858)	22,701,709
Other income (expense)		
Loss from equity method investments	(849,657)	(28,024)
Interest expense	(210,979)	(85,001)
Interest income	323,008	269,818
Other income	187,116	87,993
Total other (expense) income, net	(550,512)	244,786
(Loss) income before (benefit from) provision for income taxes	(3,858,370)	22,946,495
(Benefit from) provision for income taxes	(1,408,241)	7,228,840
Net (loss) income	(2,450,129)	15,717,655
Net (loss) income attributable to noncontrolling interest	(2,589,793)	13,557,200
Net income attributable to Apollo Medical Holdings, Inc.	$ 139,664	$ 2,160,455
Earnings per share – basic	$ 0.00	$ 0.07
Earnings per share – diluted	$ 0.00	$ 0.06
Weighted average shares of common stock outstanding-basic	34,496,622	32,421,467
Weighted average shares of common stock outstanding – diluted	38,074,174	38,098,373

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

APOLLO MEDICAL HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF MEZZANINE AND SHAREHOLDERS' EQUITY
(UNAUDITED)

	Mezzanine Equity – Noncontrolling Interest in APC	Common Stock Outstanding		Additional	Retained	Noncontrolling	Shareholders'
	Noncontrolling Interest	Shares	Amount	Paid-in Capital	Earnings	Interest	Equity
Balance January 1, 2019	$ 225,117,029	34,578,040	$ 34,578	$ 162,723,051	$ 17,788,203	$ 998,320	$ 181,544,152
Net (loss) income	(3,000,021)	-	-	-	139,664	410,228	549,892
Purchase of treasury shares	(40,000)	(93,451)	(93)	93	-	-	-
Shares issued for exercise of options and warrants	155,000	17,516	17	139,957	-	-	139,974
Share-based compensation	202,382	1,599	2	142,750	-	-	142,752
Dividends	(10,000,000)	-	-	-	-	-	-
Balance at March 31, 2019	$ 212,434,390	34,503,704	$ 34,504	$ 163,005,851	$ 17,927,867	$ 1,408,548	$ 182,376,770

	Mezzanine Equity – Noncontrolling Interest in APC	Common Stock Outstanding		Additional	Retained	Noncontrolling	Shareholders'
	Noncontrolling Interest	Shares	Amount	Paid-in Capital	Earnings	Interest	Equity
Balance January 1, 2018	$ 172,129,744	32,304,876	$ 32,305	$ 158,181,192	$ 1,734,531	$ 4,235,398	$ 164,183,426
ASC 606 Adoption	7,351,434				1,002,468		1,002,468
Net income	12,970,752	-	-	-	2,160,455	586,448	2,746,903
Shares issued for exercise of options and warrants	-	309,826	310	1,923,474	-	-	1,923,784
Share-based compensation	202,382	37,593	38	631,524	-	-	631,562
Dividends	(2,000,000)	-	-	-	-	-	-
Balance at March 31, 2018	$ 190,654,312	32,652,295	$ 32,653	$ 160,736,190	$ 4,897,454	$ 4,821,846	$ 170,488,143

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

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

	Three Months Ended March 31,	
	2019	**2018**
Cash flows from operating activities		
Net (loss) income	$ (2,450,129)	$ 15,717,655
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,417,581	5,058,512
Loss on disposal of property and equipment	-	41,782
Provision for doubtful accounts	951,014	247,102
Share-based compensation	345,134	833,944
Unrealized (gain) loss from investment in equity securities	(7,727)	8,550
Loss from equity method investments	849,657	28,024
Deferred tax	(2,623,145)	2,807,407
Changes in operating assets and liabilities:		
Receivable, net	486,981	1,296,519
Receivable, net – related parties	(7,511,121)	(22,631,440)
Other receivables	(11,244,643)	-
Prepaid expenses and other current assets	(728,631)	232,392
Right-of-use assets	447,960	
Other assets	(442,882)	(59,444)
Accounts payable and accrued expenses	22,578,982	(1,169,363)
Incentives payable	-	(6,600,000)
Fiduciary accounts payable	546,328	(630,963)
Medical liabilities	(10,375,836)	5,138,508
Income taxes payable	1,209,978	4,416,174
Lease liabilities	(416,255)	-
Net cash (used in) provided by operating activities	(3,966,754)	4,735,359
Cash flows from investing activities		
Purchases of marketable securities	(8,177)	(3,932)
Purchases of property and equipment	(103,616)	(485,121)
Net cash used in investing activities	(111,793)	(489,053)
Cash flows from financing activities		
Repayment of bank loan	(40,257)	(140,608)
Dividends paid	(10,000,000)	(2,000,000)
Payment of capital lease obligations	(25,151)	(24,407)
Proceeds from the exercise of stock options and warrants	139,974	1,923,784
Repurchase of shares	(40,000)	-
Proceeds from common stock offering	155,000	-
Net cash used in financing activities	(9,810,434)	(241,231)
Net (decrease) increase in cash, cash equivalents and restricted cash	(13,888,981)	4,005,075
Cash, cash equivalents and restricted cash, beginning of period	107,636,973	118,500,095
Cash, cash equivalents and restricted cash, end of period	$ 93,747,992	$ 122,505,170
Supplementary disclosures of cash flow information:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest	181,819	73,610
Supplemental disclosures of non-cash investing and financing activities		
Cashless exercise of stock options	$ -	$ 43
Deferred tax liability adjustment to goodwill	-	914,011

Refer to Note 15 for supplemental cash flow information related to the adoption of ASC 842.

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

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

	Three Months Ended March 31,	
	2019	**2018**
Cash and cash equivalents	$ 93,007,780	$ 103,731,761
Restricted cash – short-term - distributions to former NMM shareholders	-	18,028,116
Restricted cash – long-term – letters of credit	740,212	745,293
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 93,747,992	$ 122,505,170

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

1. Description of Business

Overview

Apollo Medical Holdings, Inc. ("ApolloMed"), entered into an Agreement and Plan of Merger dated as of December 21, 2016 (as amended on March 30, 2017 and October 17, 2017) (the "Merger Agreement") among ApolloMed, Apollo Acquisition Corp., a California corporation and wholly-owned subsidiary of ApolloMed, Network Medical Management, Inc. ("NMM"), and Kenneth Sim, M.D., not individually but in his capacity as the representative of the shareholders of NMM, pursuant to which ApolloMed effected a merger with NMM (the "Merger"). The Merger closed and became effective on December 8, 2017 (the "Closing"). As a result of the Merger, NMM is now a wholly-owned subsidiary of ApolloMed and the former NMM shareholders own a majority of the issued and outstanding common stock of ApolloMed. For accounting purposes, the Merger is treated as a "reverse acquisition," and NMM is considered the accounting acquirer and ApolloMed is the accounting acquiree. Accordingly, as of the Closing, NMM's historical results of operations replaced ApolloMed's historical results of operations for all periods prior to the Merger, and the results of operations of both companies are included in the accompanying condensed consolidated financial statements for all periods following the Merger.

The combined company, following the Merger, together with its affiliated physician groups and consolidated entities (collectively, the "Company"), is a physician-centric integrated population health management company providing coordinated, outcomes-based medical care in a cost-effective manner and serving patients in California, the majority of whom are covered by private or public insurance provided through Medicare, Medicaid and health maintenance organizations ("HMOs"). A small portion of the Company's revenue is generated from non-insured patients. The Company provides care coordination services to each major constituent of the healthcare delivery system, including patients, families, primary care physicians, specialists, acute care hospitals, alternative sites of inpatient care, physician groups and health plans. The Company's physician network consists of primary care physicians, specialist physicians and hospitalists. The Company operates primarily through the following subsidiaries of ApolloMed: NMM, Apollo Medical Management, Inc. ("AMM"), APAACO and Apollo Care Connect, Inc. ("Apollo Care Connect"), and their consolidated entities.

NMM was formed in 1994 as a management service organization ("MSO") for the purposes of providing management services to medical companies and independent practice associations ("IPAs"). The management services include primarily billing, collection, accounting, administrative, quality assurance, marketing, compliance and education.

Allied Physicians of California IPA, a Professional Medical Corporation d.b.a. Allied Pacific of California IPA ("APC") was incorporated on August 17, 1992 for the purpose of arranging health care services as an IPA. APC has contracts with various HMOs or licensed health care 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 health care 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 health care 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.

On July 1, 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. As of March 31, 2019 and December 31, 2018, APC had an ownership interest of 4.89% and 4.82% in ApolloMed, respectively.

Concourse Diagnostic Surgery Center, LLC ("CDSC") was formed on March 25, 2010 in the state of California. CDSC is an ambulatory surgery center in City of Industry, California. Its facility is Medicare Certified and accredited by the Accreditation Association for Ambulatory Healthcare, Inc. During 2011, APC invested $0.6 million for a 41.59% ownership interest in CDSC. APC's ownership percentage in CDSC's capital stock increased to 43.43% on July 31, 2016. CDSC is consolidated as a VIE by APC as it was determined that APC has a controlling financial interest in CDSC and is the primary beneficiary of CDSC.

APC-LSMA was formed on October 15, 2012 as a designated shareholder professional corporation. Dr. Thomas Lam, a shareholder, Chief Executive and Financial Officer of APC and CEO of ApolloMed, is a nominee shareholder of APC. APC makes all the investment decisions on behalf of APC-LSMA, funds these investments and receives all the distributions from the investments. APC has the obligation to absorb losses or rights to receive benefits from all the 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 who is the primary beneficiary of this VIE. The only activity of APC-LSMA is to hold the investments in medical corporations, including the IPA line of business of LaSalle Medical Associates ("LMA"), Pacific Medical Imaging and Oncology Center, Inc. ("PMIOC"), Diagnostic Medical Group ("DMG") and AHMC International Cancer Center ("ICC").

ICC was formed on September 2, 2010 in the state of California. ICC is a Professional Medical California Corporation and has entered into agreements with HMOs, IPAs, medical groups and other purchasers of medical services for the arrangement of services to subscribers or enrollees. On November 15, 2016, APC-LSMA, a holding company of APC, agreed to purchase and acquire from ICC 40% of the aggregate issued and outstanding shares of capital stock of ICC for $0.4 million in cash. Certain requirements to complete the investment transaction was completed in August 2017 and effective on October 31, 2017, ICC was determined to be a VIE of APC and is consolidated by APC as it was determined that APC is the primary beneficiary of ICC through its obligation to absorb losses and right to receive benefits that could potentially be significant to ICC.

Universal Care Acquisition Partners, LLC ("UCAP"), a 100% owned subsidiary of APC, was formed on June 4, 2014, for the purpose of holding an investment in Universal Care, Inc. ("UCI").

APAACO, jointly owned by NMM and AMM, began participating in the next generation accountable care organization model ("NGACO Model") of the CMS in January 2017. The NGACO Model is a new 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. In addition to APAACO, NMM and AMM operated three accountable care organizations ("ACOs") that participated in the Medicare Shared Savings Program ("MSSP"), with the goal of improving the quality of patient care and outcomes through a more efficient and coordinated approach among providers. MSSP revenues are uncertain, and, if such amounts are payable by CMS, they will be paid on an annual basis significantly after the time earned, and are contingent on various factors, including achievement of the minimum savings rate for the relevant period. Such payments are earned and made on an "all or nothing" basis.

AMM, a wholly-owned subsidiary of ApolloMed, manages affiliated medical groups, which consist of ApolloMed Hospitalists ("AMH"), a hospitalist company, Southern California Heart Centers ("SCHC"), Bay Area Hospitalist Associates ("BAHA"), a medical corporation, ApolloMed Care Clinic ("ACC") and AKM Medical Group, Inc. ("AKM"). AMH provides hospitalist, intensivist and physician advisor services. SCHC is a specialty clinic that focuses on cardiac care and diagnostic testing. BAHA, ACC and AKM are no longer active to any material extent.

Apollo Care Connect, a wholly-owned subsidiary of ApolloMed, provides a cloud and mobile-based population health management platform that includes digital care plans, a case management module, connectivity with multiple healthcare tracking devices and the ability to integrate with multiple electronic health records to capture clinical data.

2. Basis of Presentation

Basis of Presentation

The accompanying condensed consolidated balance sheet at December 31, 2018, has been derived from audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("U.S. GAAP"). The accompanying unaudited condensed consolidated financial statements as of March 31, 2019 and for the three months ended March 31, 2019 and 2018, 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, 2018 as filed with the U.S. Securities and Exchange Commission ("SEC") on March 18, 2019. In the opinion of management, all material adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been made to the condensed consolidated financial statements. The condensed consolidated financial statements include all material adjustments (consisting of normal recurring accruals) necessary to make the condensed consolidated financial statements not misleading as required by Regulation S-X, Rule 10-01. The Company's quarterly results fluctuate. Operating results for the three months ended March 31, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019 or any future periods.

Principles of Consolidation

The condensed consolidated balance sheets as of March 31, 2019 and December 31, 2018, and the condensed consolidated statements of income for the three months ended March 31, 2019 and 2018, include the accounts of ApolloMed, its consolidated subsidiaries NMM, AMM, APAACO and Apollo Care Connect, including NMM's subsidiaries, APCN-ACO and AP-ACO, NMM's consolidated VIE, APC, APC's subsidiary, UCAP, and APC's consolidated VIEs, CDSC, APC-LSMA and ICC.

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

Use of Estimates

The preparation of the condensed 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 (including historical medical loss ratios ("MLR"), and incurred, but not reported ("IBNR") claims), determination of full-risk and shared-risk revenue and receivables (including constraints and completion factors), income taxes, valuation of share-based compensation and right of use 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 health care models to create a patient-centered, physician-centric experience. The Company reports its condensed consolidated financial statements in the aggregate, including all activities in one reportable segment.

Reclassifications

Certain amounts disclosed in prior period financial statements have been reclassified to conform to the current period presentation. These reclassifications had no material effect on the Company's reported revenue, net income, cash flows or total assets.

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 ninety 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 March 31, 2019, the Company's deposit accounts with banks exceeded the FDIC's insured limit by approximately $110.0 million. 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.

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. Investments in marketable debt securities have been classified and accounted for as held-to-maturity based on management's investment intentions relating to these securities. Held-to-maturity marketable securities are stated at amortized cost, which approximates fair value. As of March 31, 2019 and December 31, 2018, short-term marketable securities in the amount of approximately $1.1 million, consist of certificates of deposit with various financial institutions, reported at par value plus accrued interest, with maturity dates from four months to twelve 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 and incentive receivables, management fee income 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, which 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 our 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. During the three months ended March 31, 2019, 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 are included in "Other receivables" in the accompanying condensed consolidated balance sheet.

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

Amounts are recorded as a receivable when the Company is able to determine amounts receivable under these contracts and/or agreements based on information provided and collection is reasonably likely to occur. The Company continuously monitors its collections of receivables and its policy is to write off receivables when they are determined to be uncollectible. As of March 31, 2019 and December 31, 2018, the Company's allowance for doubtful accounts was approximately $5.2 million and approximately $4.3 million, respectively.

Concentrations of Risks

The Company disaggregates revenue from contracts by service type and by payor. 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 each payor type for the three months ended March 31, 2019 and 2018:

Three Months Ended March 31,	**2019**	**2018**
Commercial	$ 31,784,992	$ 105,106,621
Medicare	22,947,690	18,541,115
Medicaid	32,820,500	176,350
Other third parties	8,203,989	99,160
Revenue	$ 95,757,171	$ 123,923,246

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

	For the Three Months Ended March 31,	
	2019	**2018**
Payor A	17.4%	*%
Payor B	15.3%	12.0%
Payor C	12.0%	10.9%

* Less than 10% of total net revenues

The Company had major payors that contributed to the following percentage of receivables and receivables – related parties before the allowance for doubtful accounts:

	As of March 31, 2019	**As of December 31, 2018**
Payor D	35.3%	34.1%
Payor E	42.9%	42.2%

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, capital lease obligations, bank loan and the line of credit. The carrying values of the financial instruments classified as current in the accompanying condensed consolidated balance sheets are considered to be at their fair values, due to the short maturity of these instruments. The carrying amounts of the loan receivables – long term, bank loan, capital lease obligations and line of credit 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") 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 disclosures 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 March 31, 2019 are presented below:

	Fair Value Measurements			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Money market funds*	$ 68,004,532	$ -	$ -	$ 68,004,532
Marketable securities – certificates of deposit	1,074,280	-	-	1,074,280
Marketable securities – equity securities	68,726	-	-	68,726
Total	$ 69,147,538	$ -	$ -	$ 69,147,538

The carrying amounts and fair values of the Company's financial instruments as of December 31, 2018 are presented below:

	Fair Value Measurements			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Money market funds*	$ 85,500,745	$ -	$ -	$ 85,500,745
Marketable securities – certificates of deposit	1,066,103	-	-	1,066,103
Marketable securities – equity securities	60,999	-	-	60,999
Total	$ 86,627,847	$ -	$ -	$ 86,627,847

* *Included in cash and cash equivalents*

There were no Level 3 inputs measured on a recurring basis for the three months ended March 31, 2019.

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 three months ended March 31, 2019 and December 31, 2018.

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 three months ended March 31, 2019 and 2018.

Goodwill and Indefinite-Lived Intangible Assets

Under the ASC 350, *Intangibles – Goodwill and Other* ("ASC 350"), 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) IPA, and (3) ACO. 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 determined that there was no impairment of its goodwill or indefinite-lived intangible assets during the three months ended March 31, 2019 and 2018.

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 condensed 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. As of March 31, 2019, the Company recognized an impairment loss of $0.3 million related to its investment in Pacific Ambulatory Surgery Center, LLC ("PASC") (included in loss from equity method investments in the accompanying condensed consolidated statements of income) as the Company does not expect to recover its investment (see Note 4).

Medical Liabilities

APC, APAACO and MMG are responsible for integrated care that the associated physicians and contracted hospitals provide to its enrollees. APC, 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 condensed 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 condensed 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 health care services, historical payment patterns, cost trends, product mix, seasonality, changes in membership, and other factors. The estimation methods and the resulting reserves are periodically reviewed and updated. Many of the medical contracts are complex in nature and may be subject to differing interpretations regarding amounts due for the provision of various services. Such differing interpretations may not come to light until a substantial period of time has passed following the contract implementation.

Revenue Recognition

The Company adopted Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)" on January 1, 2018 and recognizes revenue in accordance with the applicable guidance.

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") revenue, 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 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 hospital's costs. Advance settlement payments are typically made quarterly in arrears if there is a surplus. Risk pool settlements under arrangements with health plans and hospitals are recognized using the most likely 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 factor and constraint percentages were used by management in applying the most likely method.

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.

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 the quality incentive programs and commercial generic pharmacy incentive programs to compensate the Company for efforts it takes to improve the quality of services and for efficient and effective use of pharmacy supplemental benefits provided to the HMO's members. The incentive programs track specific performance measures and calculate payments to the Company based on the performance measures. Incentives earned 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 Next Generation ACO Model Participation Agreement (the "Participation Agreement") with an initial term of two performance years through December 31, 2018, which has been extended for another two renewal years.

For each performance year, the Company shall 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 or lack thereof, respectively, 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, as that is when the Company is obligated to provide services to its members. Excess, over claims paid plus an estimate for the related IBNR (see Note 7), 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. Further, in accordance with the guidance in ASC 606-10-55-36 through 55-40 on principal versus agent considerations, the Company records such revenues in the gross amount of consideration.

For each performance year, CMS shall pay 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 shall 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 shall 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 shall 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, risk adjustment factors, 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 probably not be reversed in the future and therefore this shared risk pool revenue is considered fully constrained.

For performance year 2018, the Company received monthly AIPBP payments at a rate of approximately $7.3 million per month from CMS that started in February 2018, which was reduced to $5.5 million per month beginning October 1, 2018. The Company 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 continues to be eligible in receiving AIPBP payments under the NGACO Model for performance year 2019, with the effective date of the performance year beginning April 1, 2019. The monthly AIPBP payments have been increased from approximately $5.5 million to approximately $8.3 million per month for performance year 2019. The Company has received approximately $24.8 million in total AIPBP payments for the three months ended March 31, 2019 and have recorded the entire amount received as deferred revenue included in "Accounts payable and accrued expenses" in the accompanying condensed consolidated balance sheet. The Company also recorded an asset of approximately $11.2 million related to recoverable claims paid during the three months ended March 31, 2019 which will be administered following instructions from CMS. This balance is included in "Other receivables" in the accompanying condensed consolidated balance sheet.

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 respective agreement. The Company's MSA revenue also includes revenue sharing payments from the Company's partners based on their non-medical services.

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., ten years), although they may be terminated earlier under the terms of the respective 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 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 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 not a change in the Company's method to recognize revenue under ASC 606 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 statement 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 health care 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. Generally, the Company does not have material amounts of other contract assets.

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 $33.2 million and $9.1 million as of March 31, 2019 and December 31, 2018, respectively, and is presented within “Accounts payable and accrued expenses” in the accompanying condensed consolidated balance sheets. During the three months ended March 31, 2019, $0.1 million of the Company’s contracted liability accrued in 2018 has been recognized as revenue.

Leases

On January 1, 2019, the Company adopted Accounting Standards Update (“ASU”) 2016-02, “Leases (Topic 842).” Refer to “Recent Accounting Pronouncements” below and to Note 15 – Leases for further details.

The Company determines if an arrangement is a lease at inception. Operating leases are included in “Right-of-use assets”, and “Lease liabilities” in the accompanying condensed consolidated balance sheets. Finance leases are included in “Land, property and equipment, net” and “Capital lease obligations” in the accompanying condensed consolidated balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As none of our leases provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

Income Taxes

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

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

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 terms of the awards, adjusted for expected forfeitures. At times, 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 performance of services in the future.

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

Basic and Diluted Earnings Per Share

Basic earnings per share ("EPS") 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 13 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 certain VIEs) in the Company's consolidated entities. The amount of 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 condensed consolidated financial statements. APC's shares are not redeemable and it is not probable that the shares will become redeemable as of March 31, 2019 and December 31, 2018.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASC 842"), which amends the existing accounting standards for leases to increase transparency and comparability among organizations by requiring the recognition of right of use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted ASC 842 effective January 1, 2019 using the following practical expedients as permitted under the transition guidance within the new standard; (i) not reassess whether any expired or existing contracts are or contain leases; not reassess the lease classification for any expired or existing leases; not reassess initial direct costs for existing leases; and (ii) use hindsight in determining the lease term and in assessing impairment of the entity's ROU assets. The Company has also implemented additional internal controls to enable future preparation of financial information in accordance with ASC 842.

The standard had a material impact on our consolidated balance sheets, but did not materially impact our consolidated results of operations and had no impact on cash flows. The most significant impact was the recognition of ROU assets of $9.0 million and lease liabilities of $8.9 million for operating leases, while our accounting for finance leases remained substantially unchanged. The 2018 comparative information has not been restated and continues to be reported under the accounting standards in effect for that period (ASC 840). Refer to Note 15 – Leases for further details.

ASC 842 provides a number of optional practical expedients in transition. The Company elected: (1) the "package of practical expedients", which permits it not to reassess under the new standard its prior conclusions about lease identification, lease classification, and initial direct costs, and (2) the use-of-hindsight in determining the lease term and in assessing impairment of ROU assets. In addition, ASC 842 provides practical expedients for an entity's ongoing accounting that the Company has elected, comprised of the following: (1) the election for classes of underlying asset to not separate non-lease components from lease components, and (2) the election for short-term lease recognition exemption for all leases that qualify. Refer to Note 15 – Leases for further details.

In June 2016, the FASB issued 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 will become effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact ASU 2016-13 will have on the condensed consolidated financial statements.

In July 2017, the FASB issued ASU No. 2017-11, "Earnings Per Share (Topic 260): Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part 1) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Non-controlling Interests with a Scope Exception" ("ASU 2017-11"). The amendments in Part I of this Update change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. The amendments also clarify existing disclosure requirements for equity-classified instruments. The amendments in Part 1 of this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in any interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company adopted ASU 2017-11 on January 1, 2019. The adoption of ASU 2017-11 did not have a material impact on the Company's condensed 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 variable interest entities (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 are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company is currently assessing the impact the adoption of ASU 2018-17 will have on the Company's condensed consolidated financial statements.

With the exception of the new 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. Intangible Assets, Net

At March 31, 2019, the Company's intangible assets, net, consisted of the following:

	Useful Life (Years)	Gross March 31, 2019	Accumulated Amortization	Net March 31, 2019
Indefinite Lived Assets:				
Medicare license	N/A	$ 1,994,000	$ -	$ 1,994,000
Amortized Intangible Assets:				
Network relationships	11-15	109,883,000	(51,215,352)	58,667,648
Management contracts	15	22,832,000	(8,031,971)	14,800,029
Member relationships	12	6,696,000	(1,555,286)	5,140,714
Patient management platform	5	2,060,000	(549,333)	1,510,667
Tradename/trademarks	20	1,011,000	(67,400)	943,600
		$ 144,476,000	$ (61,419,342)	$ 83,056,658

At December 31, 2018, the Company's intangible assets, net, consisted of the following:

	Useful Life (Years)	Gross December 31, 2018	Accumulated Amortization	Net December 31, 2018
Indefinite Lived Assets:				
Medicare license	N/A	$ 1,994,000	$ -	$ 1,994,000
Amortized Intangible Assets:				
Network relationships	11-15	109,883,000	(48,361,773)	61,521,227
Management contracts	15	22,832,000	(7,447,581)	15,384,419
Member relationships	12	6,696,000	(1,289,667)	5,406,333
Patient management platform	5	2,060,000	(446,333)	1,613,667
Tradename/trademarks	20	1,011,000	(54,763)	956,237
		$ 144,476,000	$ (57,600,117)	$ 86,875,883

Included in depreciation and amortization on the accompanying condensed consolidated statements of income is amortization expense of $3.9 million and $4.4 million (excluding $0.1 million of amortization expense for exclusivity incentives) for the three months ended March 31, 2019 and 2018, respectively.

Future amortization expense is estimated to be as follows for the years ending December 31:

	Amount
2019 (excluding the three months ended March 31, 2019)	$ 10,661,000
2020	12,671,000
2021	10,960,000
2022	9,448,000
2023	7,790,000
Thereafter	29,532,000
	$ 81,062,000

4. Investments in Other Entities

Equity Method Investment Summary

Investments in other entities – equity method consisted of the following:

	March 31, 2019	December 31, 2018
Universal Care, Inc.	$ 3,673,132	$ 2,635,945
LaSalle Medical Associates – IPA Line of Business	5,980,923	7,054,888
Diagnostic Medical Group	2,481,166	2,257,346
Pacific Medical Imaging & Oncology Center, Inc.	1,429,960	1,359,494
Pacific Ambulatory Surgery Center, LLC	-	285,198
Accountable Health Care IPA- related party	4,202,958	4,977,957
531 W. College, LLC – related party	16,226,184	16,273,152
MWN, LLC – related party	33,000	33,000
	$ 34,027,323	$ 34,876,980

LaSalle Medical Associates

LaSalle Medical Associates ("LMA") was founded by Dr. Albert Arteaga in 1996 and currently operates four neighborhood medical centers employing more than 120 dedicated healthcare professionals, treating children, adults and seniors in San Bernardino County. LMA's patients are primarily served by Medi-Cal. LMA 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 more than 313,000 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 March 31, 2019 and 2018, APC recorded losses from this investment of $1.1 million and $0.4 million, respectively, in the accompanying condensed consolidated statements of income. The accompanying condensed consolidated balance sheets include the related investment balance of $6.0 million and $7.1 million at March 31, 2019 and December 31, 2018, respectively.

LMA's summarized balance sheets at March 31, 2019 and December 31, 2018 and summarized statements of operations for the three months ended March 31, 2019 and 2018 with respect to its IPA line of business are as follows:

Balance Sheets

	March 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents	$ 204,981	$ 18,444,702
Receivables, net	7,116,487	2,897,337
Other current assets	3,526,319	5,459,442
Loan receivable	2,250,000	1,250,000
Restricted cash	673,204	667,414
Total assets	$ 13,770,991	$ 28,718,895

Liabilities and Stockholders' (Deficit) Equity

	March 31, 2019	December 31, 2018
Current liabilities	$ 16,185,769	$ 26,837,814
Stockholders' (deficit) equity	(2,414,778)	1,881,081
Total liabilities and stockholders' (deficit) equity	$ 13,770,991	$ 28,718,895

Statements of Operations

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Revenues	$ 46,406,351	$ 52,983,791
Expenses	50,702,210	54,002,458
Net loss	$ (4,295,859)	$ (1,018,667)

Pacific Medical Imaging and Oncology Center, Inc.

PMIOC was incorporated in 2004 in the state of California. 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 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 for the three months ended March 31, 2019 and 2018 of approximately $0.7 million and $0.4 million, respectively. 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. During the three months ended March 31, 2019 and 2018, APC recorded income (loss) from this investment of approximately $70,466 and $(26,025) respectively, in the accompanying condensed consolidated statements of income. The accompanying condensed consolidated balance sheets include the related investment balance of $1.4 million at March 31, 2019 and December 31, 2018.

Universal Care, Inc.

UCI is a privately held health plan that has been in operation since 1985 in order to help its members through the complexities of the healthcare system. UCI holds a license under the California Knox-Keene Health Care Services Plan Act ("Knox-Keene Act") to operate as a full-service health plan. UCI contracts with CMS under the Medicare Advantage Prescription Drug Program.

On August 10, 2015, UCAP, an entity solely owned 100% by APC with APC's executives, Dr. Thomas Lam, Dr. Pen Lee and Dr. Kenneth Sim, as designated managers of UCAP, purchased from UCI 100,000 shares of UCI class A-2 voting common stock (comprising 48.9% of the total outstanding UCI shares, but 50% of UCI's voting common stock) for $10.0 million. APC accounts for its investment in UCI under the equity method of accounting as APC has the ability to exercise significant influence, but not control over UCI's operations. During the three months ended March 31, 2019 and 2018, the Company recorded income (loss) from this investment of approximately $1.0 million and $(20,202), respectively, in the accompanying condensed consolidated statements of income. The accompanying condensed consolidated balance sheets include the related investment balance of $3.6 million and $2.6 million at March 31, 2019 and December 31, 2018, respectively.

UCI's balance sheets at March 31, 2019 and December 31, 2018 and statements of income for the three months ended March 31, 2019 and 2018 are as follows:

Balance Sheets

	March 31, 2019	December 31, 2018
Assets		
Cash	$ 29,161,538	$ 27,812,520
Receivables, net	49,693,015	46,978,703
Other current assets	32,487,216	18,670,350
Other assets	659,897	661,621
Property and equipment, net	2,943,466	2,786,996
Total assets	$ 114,945,132	$ 96,910,190

Liabilities and Stockholders' Deficit

	March 31, 2019	December 31, 2018
Current liabilities	$ 104,980,771	$ 89,731,133
Other liabilities	25,014,826	25,024,043
Stockholders' deficit	(15,050,465)	(17,844,986)
Total liabilities and stockholders' deficit	$ 114,945,132	$ 96,910,190

Statements of Income

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Revenues	$ 113,318,827	$ 72,665,437
Expenses	111,408,456	72,154,950
Income before (benefit from) provision for income taxes	1,910,371	510,487
(Benefit from) provision for income taxes	(210,667)	551,800
Net income (loss)	$ 2,121,038	$ (41,313)

Accountable Health Care, IPA – Related Party

Accountable Health Care IPA ("Accountable") is a California professional medical corporation that has served the local community in the greater Los Angeles County area through a network of physicians and health care providers for more than 20 years. Accountable currently has a network of over 400 primary and 700 specialty care physicians, and eight community and regional hospital medical centers that provide quality health care services to more than 160,000 members of seven federally qualified health plans and multiple product lines, including Medi-Cal, Commercial, Medicare and Healthy Families.

On September 21, 2018, APC and NMM each exercised their option to convert their respective $5.0 million loans into shares of Accountable capital stock (see Note 6). As a result, APC's $5.0 million loan was converted into a 25% equity interest with the remaining $5.0 million loan held by NMM to be converted into an equity interest that will be determined based on a third party valuation of Accountable's current enterprise value, which has not been completed as of the filing of this Report. APC accounts for its investment in Accountable under the equity method of accounting. During the three months ended March 31, 2019, the Company recorded losses from this investment of $0.8 million in the accompanying condensed consolidated statements of income. The accompanying condensed consolidated balance sheets include the related investment balance of $4.2 million and $5.0 million at March 31, 2019 and December 31, 2018, respectively.

Accountable's balance sheet at March 31, 2019 and December 31, 2018 and statements of operations for the three months ended March 31, 2019 are as follows:

Balance Sheets

	March 31, 2019	December 31, 2018
Assets		
Cash	$ 4,381,055	$ 5,582,837
Receivables, net	11,246,477	11,246,477
Other current assets	30,940	30,940
Other assets	1,312,769	1,312,768
Property and equipment, net	138,690	138,690
Total Assets	$ 17,109,931	$ 18,311,712

Liabilities and Stockholders' Deficit

	March 31, 2019	December 31, 2018
Current Liabilities	$ 18,723,556	$ 16,824,083
Other Liabilities	19,500,000	19,500,000
Stockholders' deficit	(21,113,625)	(18,012,371)
Total liabilities and stockholders' deficit	$ 17,109,931	$ 18,311,712

Statement of Operation

	Three Months Ended March 31, 2019
Revenues	$ 22,990,290
Expenses	26,091,544
Loss before provision for income taxes	(3,101,254)
Provision for income taxes	-
Net loss*	$ (3,101,254)

* APC's allocation of net loss commenced on September 21, 2018.

Diagnostic Medical Group

On May 14, 2016, David C.P. Chen M.D., Inc., a California professional corporation doing business as Diagnostic Medical Group ("DMG"), and David C.P. Chen M.D., individually and APC-LSMA, a designated shareholder professional corporation formed on October 15, 2012, which is 100% owned by Dr. Thomas Lam (CEO of APC) and is controlled and consolidated by APC who is the primary beneficiary of this VIE, entered into a share purchase agreement whereby APC-LSMA acquired a 40% ownership interest in DMG for total cash consideration of $1.6 million.

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 March 31, 2019 and 2018, APC recorded income from this investment of $0.2 million and $0.3 million, respectively, in the condensed consolidated statements of income. The accompanying condensed consolidated balance sheets include the related investment balance of $2.5 million and $2.3 million as of March 31, 2019 and December 31, 2018, respectively.

Pacific Ambulatory Surgery Center, LLC

PASC, a California limited liability company, is a multi-specialty outpatient surgery center that is certified to participate in the Medicare program and is accredited by the Accreditation Association for Ambulatory Health Care. PASC has entered into agreements with organizations such as healthcare service plans, independent physician practice associations, medical groups and other purchasers of healthcare services for the arrangement of the provision of outpatient surgery center services to subscribers or enrollees of such health plans. On November 15, 2016, PASC and APC, entered into a membership interest purchase agreement whereby PASC sold 40% of its aggregate issued and outstanding membership interests to APC for total consideration of $0.8 million.

In connection with the membership interest purchase agreement, PASC entered into a management services agreement with NMM, which requires the payment of management fees computed at predetermined percentage (as defined) of PASC revenues. The term of the management services agreement commenced on the effective date and extend for a period of 60 months thereafter, and may be extended in writing at the sole option of NMM for an additional period of 60 months following the expiration of the initial term and is automatically renewed for additional consecutive terms of three years unless terminated by either party. PASC shall not be permitted to terminate the management services agreement for any reason during the initial term and, if extended, the extended term.

APC accounted for its investment in PASC under the equity method of accounting as APC has the ability to exercise significant influence, but not control over PASC's operations. For the three months ended March 31, 2018, APC recorded income from this investment of $41,953 in the accompanying condensed consolidated statements of income. The accompanying condensed consolidated balance sheets include the related investment balance of $0.3 million as of December 31, 2018.

During the three months ended March 31, 2019, the Company recognized an impairment loss of $0.3 million, which has been included in the loss from equity method investment line on the condensed consolidated statement of income, related to its investment in PASC as the Company does not believe it will recover its investment balance.

In 2019, APC advanced $0.3 million to PASC for working capital purposes. The repayment of the advance is based on collections of PASC's outstanding AR, and accordingly, the entire amount has been classified under "Other Assets" in the accompanying condensed consolidated balance sheets in the amount of $0.3 million as of March 31, 2019.

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.

An agreement of purchase and sale and joint escrow instructions ("Purchase Agreement") with an effective date of April 10, 2018 was entered into between 531 W. College, LLC and Societe Francaise De Bienfaisance Mutuelle De Los Angeles, a California nonprofit corporation, pursuant to which 531 W. College LLC agreed to purchase a former hospital located in the City of Los Angeles. The total purchase price of such real estate is $33.3 million. In June 2018, APC, NMM and AMHC Healthcare, Inc. on behalf of CSI, wired $8.3 million, $8.3 million and $16.7 million, respectively into an escrow account for the benefit of 531 W. College, LLC to purchase the hospital pursuant to the Purchase Agreement. The transaction closed on June 29, 2018. APC and NMM accounts for its investment in 531 W. College, LLC under the equity method of accounting as APC and NMM have the ability to exercise significant influence, but not control over the operations of this joint venture. APC and NMM's investment is presented as an investment in joint venture-equity method in the accompanying condensed consolidated balance sheet as of March 31, 2019 and December 31, 2018.

As of March 31, 2019, NMM and APC has recorded losses from its investment in 531 W. College LLC of $23,484, respectively, in the accompanying condensed consolidated statement of income. The accompanying condensed consolidated balance sheet includes the related investment balance of $16.2 million related to NMM and APC's investment at March 31, 2019.

531 W. College LLC's balance sheets at March 31, 2019 and December 31, 2018 and the statements of operations for the three months ended March 31, 2019 is as follows:

Balance Sheet

	March 31, 2019	December 31, 2018
Assets		
Cash	341,969	158,088
Other current assets	78,677	16,137
Other assets	70,000	70,000
Property and equipment, net	$ 33,394,792	$ 33,394,792
Total assets	$ 33,885,438	$ 33,639,017
Liabilities and Members' Equity		
Current liabilities	$ 1,433,070	$ 1,007,413
Stockholders' equity	32,452,368	32,631,604
Total liabilities and members' equity	$ 33,885,438	$ 33,639,017

Statements of Operation

	March 31, 2019
Revenues	-
Expenses	468,560
Loss from operations	(468,560)
Other Income	$ 289,325
Net loss*	$ (179,235)

* The Company's investment in 531 W. College commenced on June 27, 2018.

MWN LLC – Related Party

On December 18, 2018, NMM along with 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 owns 33.3% of the membership shares based on each member's initial capital contributions of $3,000 and working capital contributions of $30,000. The accompanying condensed consolidated balance sheets include the related investment balance of $33,000 as of March 31, 2019 and December 31, 2018, respectively.

Investment in privately held entity that does not report net asset value per share

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 approximately 2.8% ownership. APC also received a 5-year warrant to purchase 270,000 membership interests. A 5-year option to purchase an additional 380,000 membership interests and a 5-year warrant to purchase 480,000 membership interests are contingent upon the portal completion date, which has not been completed as of March 31, 2019. 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.

5. Loan Receivable – Related Parties

Accountable Health Care IPA

On October 9, 2017, NMM and APC-LSMA entered into an agreement with Accountable, Signal Health Solutions, Inc. ("Signal"), a California corporation and George M. Jayatilaka, M.D. ("Dr. Jay"), individually, whereby concurrent with the execution of the agreement, APC-LSMA extended a line of credit to Dr. Jay in the principal amount of $10.0 million ("Dr. Jay Loan") to fund the working capital needs of Accountable ($5.0 million of which was funded by APC on behalf of APC-LSMA and the other $5.0 million was funded by NMM to Dr. Jay). Interest on the Dr. Jay Loan accrues at a rate that is equal to the prime rate plus 1% (6.50% as of March 31, 2019 and December 31, 2018) and payable in monthly installments of interest only on the first day of each month until the date that is three years following the initial date of funding, at which time, all outstanding principal and accrued interest thereon shall be due and payable in full. The Dr. Jay Loan is not subordinated to any other indebtedness and is secured by a first-lien security interest in certain shares of Accountable owned by Dr. Jay. The outstanding balance as of March 31, 2019 and December 31, 2018 was $5.0 million and $5.0 million, respectively.

Concurrently with the funding of the Dr. Jay Loan, Dr. Jay loaned to Accountable the entire proceeds of the Dr. Jay Loan at the same interest rate and maturity date as the Dr. Jay Loan ("Dr. Jay-Accountable Subordinated Loan"). Repayment of the Dr. Jay-Accountable Subordinated Loan is subordinated to Accountable's creditors in a manner acceptable to the California Department of Managed Health Care ("DMHC").

At any time on or before the date that is one year following the initial funding date of the Dr. Jay Loan, APC-LSMA or its designee have the right, but not the obligation, to convert up to $5.0 million of the outstanding principal amount into shares of Accountable's capital stock. At any time after the date that is one year following the funding date, the Dr. Jay Loan may be prepaid at any time. Within three years following the initial funding of the Dr. Jay Loan, APC-LSMA or its designee shall have the right, but not the obligation, to convert the then outstanding principal amount into Accountable shares based on Accountable's then-current valuation. On September 21, 2018, APC and NMM each exercised their option to convert their respective $5.0 million loan into shares of Accountable capital stock. As a result, APC's $5.0 million loan was converted into a 25% equity interest with the remaining $5.0 million loan held by NMM to be converted into an equity interest that will be determined based on a third party valuation of Accountable's current enterprise value, which has not been completed as of the filing date of this Report. APC accounted for its investment in Accountable under the equity method of accounting (See Note 4).

Subsequent to the funding of the Dr. Jay Loan, to the extent needed by Accountable for working capital needs as determined by APC-LSMA, APC-LSMA will extend an additional line of credit in the principal amount up to $8.0 million. The funding mechanism, interest rate and maturity date of such additional line of credit shall be the same as the Dr. Jay Loan and additional collateral security in Accountable's issued and outstanding shares will be required.

As a condition of funding the Dr. Jay Loan, Accountable entered into a ten-year management service agreement with NMM on October 27, 2017, to commence on the termination of Accountable's previously existing management agreement with MedPoint Management to be effective on December 1, 2017. Under the management service agreement, NMM is responsible for managing 100% of all health plan membership assigned and delegated to Accountable, and all hospital risk pools. The management service agreement requires the payment of IPA and hospital risk pool management fees as set forth therein.

Concurrent with the initial funding of the Dr. Jay Loan, the Accountable Board of Directors shall be automatically reconstituted to be comprised of two directors, which will comprise of Dr. Jay and a director appointed by APC-LSMA. Dr. Jay and APC-LSMA will have two and one votes as a director, respectively.

Based on management's assessment, Accountable is a variable interest entity. However, the Company does not have the power to the direct the activities of Accountable that most significantly impact its economic performance and as such, the Company is not the primary beneficiary of Accountable.

Universal Care, Inc.

In 2015, APC advanced $5.0 million on behalf of UCAP to UCI for working capital purposes. On June 29, 2018, and November 28, 2018, APC advanced an additional $2.5 million and $5.0 million, respectively. These subordinated loans accrue interest at the prime rate plus 1%, or 6.50%, as of March 31, 2019 and December 31, 2018, with interest to be paid monthly. The repayment schedule is based on certain contingent criteria, and accordingly, the entire note receivable has been classified under loans receivable - related parties on the condensed consolidated balance sheets in the amount of $12.5 million as of March 31, 2019 and December 31, 2018.

6. Accounts Payable and Accrued Expenses

The Company's accounts payable and accrued expenses consisted of the following:

	March 31, 2019	December 31, 2018
Accounts payable	$ 4,750,543	$ 4,481,544
Specialty capitation payable	300,000	300,000
Subcontractor IPA risk pool payable	2,191,664	2,532,750
Professional fees	2,470,583	2,251,741
Due to related parties	568,385	1,488,313
Contract liabilities	33,292,123	9,024,235
Accrued compensation	4,081,173	4,996,906
	$ 47,654,471	$ 25,075,489

7. Medical Liabilities

The Company's medical liabilities consisted of the following:

	March 31, 2019	December 31, 2018
Balance, beginning of period	$ 33,641,701	$ 63,972,318
Claims paid for previous period	(28,850,325)	(36,549,348)
Incurred health care costs	34,974,952	209,002,961
Claims paid for current period	(16,586,584)	(167,537,480)
Payment to CMS based on APAACO 2017 year settlement	-	(34,464,826)
Adjustments	86,121	(781,924)
Balance, end of period	$ 23,265,865	$ 33,641,701

8. Bank Loan and Lines of Credit

Bank Loans

In December 2010, ICC obtained a loan of $4.6 million from a financial institution. The loan bears interest based on the Wall Street Journal "prime rate", or 5.50% per annum, as of December 31, 2018. The loan was collateralized by the medical equipment ICC owns and guaranteed by one of ICC's shareholders. The loan matured on December 31, 2018 and final payment was made in January 2019.

Lines of Credit – Related Party

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, pursuant to an amendment entered into March 5, 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 March 31, 2019 and December 31, 2018. As of March 31, 2019, NMM was in compliance with such financial debt covenant requirements. The loan is guaranteed by Apollo Medical Holdings, Inc. and is collateralized by substantially all of the assets of NMM. The amount outstanding as of March 31, 2019 and December 31, 2018 was $13.0 million. As of March 31, 2019 and December 31, 2018, availability under this line of credit was $0.7 million.

On September 5, 2018, NMM entered into a non-revolving line of credit agreement with Preferred Bank ("NMM Line of Credit Agreement"), 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 to reduce the loan availability from $20.0 million to $16.0 million. The interest rate is based on the Wall Street Journal "prime rate" plus 0.125%, or 5.625%, as of March 31, 2019 and December 31, 2018. The line of credit is guaranteed by Apollo Medical Holdings, Inc. and is collateralized by substantially all assets of NMM. The line of credit was obtained to finance potential acquisitions, with each drawdown to be converted into a five-year term loan with monthly principal payments plus interest based on a five-year amortization schedule, the availability of the line of credit is reduced accordingly based on the aggregate amount drawn. As of March 31, 2019 and December 31, 2018, availability under this line of credit was $20.0 million.

On June 14, 2018, APC amended its promissory note agreement with Preferred Bank ("APC Business Loan Agreement"), 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 to increase the loan availability from $10.0 million to $40.0 million. The interest rate is based on the Wall Street Journal "prime rate" plus 0.125%, or 5.625%, as of March 31, 2019 and December 31, 2018. As of March 31, 2019, APC was in compliance with such financial debt covenant requirements. The loan is also collateralized by substantially all assets of APC. No amounts were drawn on this line during the three months ended March 31, 2019 and no amounts were outstanding as of March 31, 2019 and December 31, 2018. As of March 31, 2019 and December 31, 2018, availability under this line of credit was $9.7 million.

Standby Letters of Credit

On March 3, 2017, APAACO established an irrevocable standby letter of credit with Preferred Bank (through the NMM Business Loan Agreement) for $6.7 million for the benefit of CMS. The letter of credit expired on December 31, 2018 and was deemed 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.

On October 3, 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, 2019 and is deemed 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.

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.

9. Mezzanine and Stockholders' Equity

Mezzanine

APC

APC's shareholders have entered into shareholder agreements that requires APC, under the circumstances described in those agreements, to repurchase the APC shares from the shareholders. Since 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 interests in mezzanine or temporary equity. Except when the repurchase obligation is triggered, APC's shares are not redeemable and it is not probable that the shares will become redeemable as of March 31, 2019 and December 31, 2018.

On December 18, 2018, the Company entered into a settlement agreement and mutual release with former APCN shareholders to repurchase all the equity interests in APC previously held by these shareholders. APC paid approximately $1.7 million to repurchase 1,662,571 shares of common stock (see Note 10).

Stockholders' Equity

As of the date of this Report, 480,212 holdback shares have not been issued to certain former NMM shareholders who were NMM shareholders at the time of Closing of 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 condensed 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 millions)
Options outstanding at January 1, 2019	647,240	$ 5.62	4.13	$ 9.2
Options granted	45,000	18.11	-	-
Options exercised	(6,000)	4.50	-	0.1
Options forfeited	-	-	-	-
Options outstanding at March 31, 2019	686,240	$ 6.45	3.95	$ 8.1
Options exercisable at March 31, 2019	641,240	$ 5.27	3.64	$ 8.1

During the three months ended March 31, 2019 and 2018, stock options were exercised for 6,000 and 75,000 shares, respectively, of the Company's common stock, which resulted in proceeds of approximately $27,000 and $0.5 million, respectively. The exercise price was $4.50 per share for the exercises during the three months ended March 31, 2019 and ranged from $2.10 to $10.00 per share for the exercises during the three months ended March 31, 2018.

During the three months ended March 31, 2018, stock options were exercised pursuant to the cashless exercise provision of the option agreement, with respect to 54,536 shares of the Company's common stock, which resulted in the Company issuing 43,201 net shares.

During the three months ended March 31, 2019, the Company granted 45,000 stock options to certain ApolloMed board members which were recognized at fair value, as determined using the Black-Scholes option pricing model and the following assumptions:

	March 31, 2019
Expected Term	3.0 years
Expected volatility	100.27%
Risk-free interest rate	2.51%
Market value of common stock	$ 18.11
Annual dividend yield	-
Forfeiture rate	0%

During the three months ended March 31, 2019, the Company recorded approximately $0.1 million of share-based compensation expense associated with the issuance of restricted shares of common stock and vesting of stock options which is included in "General and administrative expenses" in the accompanying condensed consolidated statement of income.

Outstanding stock options granted to primary care physicians to purchase shares of APC's common stock consisted of the following:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in millions)
Options outstanding at January 1, 2019	853,800	$ 0.167	0.75	$ 0.5
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options expired/forfeited	-	-	-	-
Options outstanding and exercisable at March 31, 2019	853,800	$ 0.167	0.50	$ 0.5

The aggregate intrinsic value is calculated as the difference between the exercise price and the estimated fair value of common stock as of March 31, 2019.

Share-based compensation expense related to option awards granted to primary care physicians to purchase shares of APC's common stock, are recognized over their respective vesting periods, and consisted of the following:

	Three Months Ended March 31,	
	2019	2018
Share-based compensation expense:		
General and administrative	$ 202,382	$ 202,382
	$ 202,382	$ 202,382

The remaining unrecognized share-based compensation expense of stock option awards granted to primary care physicians to purchase shares of APC's common stock as of March 31, 2019 was $0.4 million which is expected to be recognized over the remaining term of 0.5 years.

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 millions)
Warrants outstanding at January 1, 2019	3,331,995	$ 9.93	2.97	$ 33.1
Warrants granted	-	-	-	-
Warrants exercised	(11,516)	9.81	-	0.1
Warrants expired/forfeited	-	-	-	-
Warrants outstanding at March 31, 2019	3,320,479	$ 9.93	2.72	$ 27.9

Exercise Price Per Share	Warrants Outstanding	Weighted Average Remaining Contractual Life	Warrants Exercisable	Weighted Average Exercise Price Per Share
$ 9.00	1,075,492	1.54	1,075,492	9.00
10.00	1,416,085	3.04	1,416,085	10.00
11.00	828,902	3.69	828,902	11.00
$ 9.00 –11.00	3,320,479	2.72	3,320,479	$ 9.93

During the three months ended March 31, 2019, common stock warrants were exercised for 11,516 shares of the Company's common stock, which resulted in proceeds of approximately $0.1 million. The exercise price ranged from $9.00 to $11.00 per share.

Treasury Stock

APC owned 1,775,561 and 1,682,110 shares of ApolloMed's common stock as of March 31, 2019 and December 31, 2018, which are legally issued and outstanding but excluded from shares of common stock outstanding in the condensed consolidated financial statements, as such shares are treated as treasury shares for accounting purposes. Pursuant to the issuance of the Holdback Shares (see Note 13), 93,451 shares issued to APC are treated as treasury shares. The remaining treasury shares of 168,493 were repurchased from the former APCN shareholders in 2018.

Dividends

During the three months ended March 31, 2019 and 2018, APC paid dividends of $10.0 million and $2.0 million, respectively.

10. 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 is required to follow regulations of the California DMHC, 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 March 31, 2019 and December 31, 2018, APC was 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.

Affordable Care Act

The Patient Protection and Affordable Care Act ("PPACA") has made significant changes to the United States health care system. The legislation impacted multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Under this legislation, 33 states have expanded their Medicaid programs to cover previously uninsured childless adults, and four additional states voted in 2018 to expand Medicaid or to elect a governor that pledged to expand Medicaid. In addition, many uninsured individuals have had the opportunity to purchase health insurance via state-based marketplaces, state-based marketplaces using a federal platform, state-partnership marketplaces or the federally-facilitated marketplace. PPACA also implemented a number of health insurance market reforms, such as allowing children to remain on their parents' health insurance until age 26 or prohibiting certain plans from denying coverage based on pre-existing conditions. Nationally, these reforms have reduced the number of uninsured individuals.

It is unclear what changes may be made to PPACA with the divided Congress, current presidential administration, and pending litigation over the validity of PPACA. The Administration has promulgated rules to broaden the availability of coverage options that do not comply with the full range of PPACA requirements for individual market coverage, namely Association Health Plans and Short-Term Limited-Duration Insurance. The Administration has also provided additional guidance on state PPACA waivers. These executive actions have been or may be challenged in court. In addition, the Tax Cuts and Jobs Act ("TCJA"), passed in December 2017, eliminates the individual mandate penalty under PPACA, effective January 1, 2019. The individual mandate penalty was included in PPACA to address concerns that other market reforms expanding access to coverage might produce adverse selection and higher premiums. The extent to which the repeal of the individual mandate penalty will impact the uninsured rate and 2019 premiums is unclear at this juncture. On December 14, 2018, the United States District Court for the Northern District of Texas ruled that the individual mandate without the penalty is unconstitutional and that PPACA is therefore invalid in its entirety. Litigation on this issue is ongoing, with the Administration indicating it will continue implementing PPACA pending any appeals, the court ordering expedited briefing on a potential stay and certification of an interlocutory appeal, and pending litigation in the United States District Court for the District of Maryland to ensure continued implementation of PPACA. This litigation along with any future legislative changes to PPACA or other federal and state legislation could have a material impact on the operations of the Company. The Company is continuing to monitor the legislative environment and developments in pending litigation for risks and uncertainties.

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 of 2% of our benchmark Medicare Part A and Part B expenditures. The Company has established irrevocable standby letters of credit with Preferred Bank, which is affiliated with one of the Company's board members, of $6.6 million and $6.7 million for the 2018 and 2017 performance years, respectively (see Note 8).

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 8).

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. MMG, ApolloMed and AMM dispute the allegations and intend 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.

11. 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 4), 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 (see Note 5).

During the three months ended March 31, 2019 and 2018, NMM received approximately $3.2 million and $4.6 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 4).

During the three months ended March 31, 2019 and 2018, APC paid approximately $0.7 million and $0.4 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 4).

During the three months ended March 31, 2019 and 2018, APC paid approximately $2.0 million and $1.6 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 4).

During the three months ended March 31, 2019 and 2018, APC paid approximately $92,000 and $22,000, 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 March 31, 2019 and 2018, APC paid approximately $1.3 million and $0.7 million, respectively, to AMG, Inc. for services as a provider. AMG, Inc. shares common ownership with certain board members of APC.

During the three months ended March 31, 2019 and 2018, APC paid an aggregate of approximately $9.3 million and $9.2 million, respectively, to shareholders of APC for provider services, which include approximately $3.3 million and $2.3 million, respectively, to shareholders who are also officers of APC.

During the three months ended March 31, 2019 and 2018, NMM paid approximately $0.3 million, to Medical Property Partners ("MPP") for an office lease. MPP shares common ownership with certain board members of NMM.

During the three months ended March 31, 2018, APC paid $90,000, to Tag-2 Medical Investment Group, LLC ("Tag-2") for an office lease. Tag-2 shares common ownership with certain board members of APC.

During the three months ended March 31, 2019 and 2018, the Company paid approximately $0.1 million and $35,000, respectively, to Critical Quality Management Corp ("CQMC") for an office lease. CQMC shares common ownership with certain board members of APC.

During the three months ended March 31, 2019 and 2018, SCHC paid approximately $0.1 million, respectively, to Numen, LLC ("Numen") for an office lease. Numen is owned by a shareholder of APC.

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 income received related to AHMC, HSMSO and Aurion Corporation:

Three months ended March 31,	**2019**	**2018**
AHMC – Risk pool and Capitation	$ 11,600,000	$ 19,400,000
HSMSO – Management fees, net	(650,000)	(500,000)
Aurion – Management fees	(100,000)	(100,000)
Net total	$ 10,850,000	$ 18,800,000

The Company and AHMC has a risk sharing agreement with certain AHMC hospitals to share the surplus and deficits of each of the hospital pools. During the three months ended March 31, 2019 and 2018, the Company has recognized risk pool revenue under this agreement of $10.1 million and $18.0 million respectively, for which $49.8 million and $44.2 million remain outstanding as of March 31, 2019 and December 31, 2018, respectively.

In addition, affiliates wholly-owned by the Company's officers, including our CEO, Dr. Lam, are reported in the accompanying condensed consolidated statement 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 4, 5 and 8, respectively.

12. 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 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. If and when this occurs, the income tax provision (benefit) will be 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 Company's overall effective tax rate from quarter to quarter.

As of March 31, 2019 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 consolidation rules, as realization of these assets is uncertain.

The Company's effective tax rate for the three months ended March 31, 2019 differed from the U.S. federal statutory rate primarily due to state income taxes, income from flow through entities, and change in valuation allowance.

As of March 31, 2019, 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, 2014 through December 31, 2017 and for the years ended December 31, 2015 through December 31, 2017, respectively. The Company currently does not anticipate material unrecognized tax benefits within the next 12 months.

13. Earnings Per Share

Basic net income 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 by the weighted average number of shares of the Company's common stock issued and outstanding during such period. Diluted net income 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.

Pursuant to the Merger Agreement, ApolloMed held back 10% of the shares of its common stock that were issuable to NMM shareholders ("Holdback Shares") to secure indemnification of ApolloMed and its affiliates under the Merger Agreement. The Holdback Shares will be held for a period of up to 24 months, with 50% issued on the first anniversary of the merger and the remaining 50% issued on the second anniversary, after the closing of the Merger (to be distributed on a pro-rata basis to former NMM shareholders), during which ApolloMed may seek indemnification for any breach of, or noncompliance with, any provision of the Merger Agreement, by NMM. These Holdback Shares are excluded from the computation of basic earnings per share, but included in diluted earnings per share. As of March 31, 2019 and December 31, 2018 APC held 1,775,561 and 1,682,110 shares of ApolloMed's and NMM'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 March 31,	**2019**	**2018**
Earnings per share – basic	$ 0.00	$ 0.07
Earnings per share – diluted	$ 0.00	$ 0.06
Weighted average shares of common stock outstanding – basic	34,496,622	32,421,467
Weighted average shares of common stock outstanding – diluted	38,074,174	38,098,373

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

Three Months Ended March 31,	**2019**	**2018**
Weighted average shares of common stock outstanding – basic	34,496,622	32,421,467
10% shares held back pursuant to indemnification clause	1,519,805	3,039,749
Stock options	455,381	835,790
Warrants	1,602,366	1,801,367
Weighted average shares of common stock outstanding – diluted	38,074,174	38,098,373

14. 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 condensed 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 the creditors of APC have no recourse to the Company, nor do creditors of the Company have recourse against the assets of APC. 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 affiliate, which are eliminated upon consolidation with NMM, are included in the accompanying condensed consolidated balance sheets.

	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 52,359,206	$ 71,726,342
Investment in marketable securities	1,074,280	1,066,103
Receivables, net	3,096,946	3,904,586
Receivables, net – related party	51,606,081	45,258,916
Prepaid expenses and other current assets	3,944,518	3,647,654
Total current assets	112,081,031	125,603,601
Noncurrent assets		
Land, property and equipment, net	9,400,074	9,602,228
Intangible assets, net	56,273,585	58,984,420
Goodwill	56,213,450	56,213,450
Loans receivable – related parties	12,500,000	12,500,000
Investment in a privately held entity that does not report net asset value per share	4,725,000	4,725,000
Investments in other entities – equity method	25,881,231	26,707,404
Restricted cash	740,212	745,470
Right-of-use assets	4,216,800	-
Other assets	1,282,090	839,085
Total noncurrent assets	171,232,442	170,317,057
Total assets	$ 283,313,473	$ 295,920,658
Current liabilities		
Accounts payable and accrued expenses	$ 5,379,342	$ 6,378,751
Fiduciary accounts payable	2,084,926	1,538,598
Medical liabilities	21,610,483	24,983,110
Income taxes payable	12,706,621	11,621,861
Amount due to affiliate	12,197,167	11,505,680
Bank loan	-	40,257
Lease liabilities	840,525	-
Capital lease obligations	101,741	101,741
Total current liabilities	54,920,805	56,169,998
Noncurrent liabilities		
Deferred tax liability	13,360,989	15,693,159
Liability for unissued equity shares	1,185,025	1,185,025
Lease liabilities	3,278,928	
Capital lease obligations	492,110	517,261
Total noncurrent liabilities	18,317,052	17,395,445
Total liabilities	$ 73,237,857	$ 73,565,443

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

15. Leases

The Company has operating and finance leases for corporate offices, doctors' offices, and certain equipment. These leases have remaining lease terms of 1 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 within one year. As of March 31, 2019 and December 31, 2018, assets recorded under finance leases were $0.6 million, and accumulated depreciation associated with finance leases was $0.2 million.

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:

Three Months Ended March 31,	**2019**
Operating lease cost	$ 1,102,684
Finance lease cost	
Amortization of lease expense	$ 25,150
Interest on lease liabilities	4,579
Sublease income	$ (100,180)
Total finance lease cost, net	$ 1,032,233

Other information related to leases was as follows:

Three Months Ended March 31,	**2019**
Supplemental Cash Flows Information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 1,033,514
Operating cash flows from finance leases	4,579
Financing cash flows from finance leases	25,150
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	8,855,324
Finance leases	-
Weighted Average Remaining Lease Term	
Operating leases	4.30 years
Finance leases	5.25 years
Weighted Average Discount Rate	
Operating leases	6.13%
Finance leases	3.00%

Future minimum lease payments under non-cancellable leases as of March 31, 2019 and December 31, 2018 were as follows:

March 31, 2019	**Operating Leases**	**Finance Leases**
2019 (excluding the three months ended March 31, 2019)	$ 2,506,838	$ 89,190
2020	2,795,554	118,920
2021	1,595,377	118,920
2022	1,250,897	118,920
2023	971,163	118,920
Thereafter	1,514,842	79,278
Total future minimum lease payments	10,634,671	644,148
Less: imputed interest	2,195,602	50,297
Total lease obligations	8,439,069	593,851
Less: current portion	2,461,924	101,741
Long-term lease obligations	$ 5,977,145	$ 492,110

December 31, 2018	**Operating Leases**	**Finance Leases**
2019	$ 2,848,000	$ 119,000
2020	2,267,000	119,000
2021	783,000	119,000
2022	487,000	119,000
2023	489,000	119,000
Thereafter	243,000	79,000
Total future minimum lease payments	7,117,000	674,000

As of March 31, 2019, the Company does not have additional operating and finance leases that have not yet commenced.

16. Subsequent Events

On April 17, 2019, NMM amended its promissory note with Preferred Bank to decrease the amount available under the credit facility from $20 million to $16 million and APC amended its promissory note with Preferred Bank to increase the amount available under the credit facility from $10 million to $40 million (see Note 8).

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 $16.2 million.

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

The following management's discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in 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, 2018, filed with the U.S. Securities and Exchange Commission ("SEC") on March 18, 2019.

The following management's discussion and analysis contain forward-looking statements that reflect our plans, estimates, and beliefs as discussed in the "Forward-Looking Statements" at the beginning of this Quarterly Report on Form 10-Q. Our actual results could differ materially from those plans, estimates, and beliefs. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Quarterly Report on Form 10-Q as well as the factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018.

In this section, "we," "our," "ours" and "us" refer to Apollo Medical Holdings, Inc.

Overview

We, together with our affiliated physician groups and consolidated entities, are a physician-centric integrated population health management company providing coordinated, outcomes-based medical care in a cost-effective manner and serving patients in California, the majority of whom are covered by private or public insurance provided through Medicare, Medicaid and health maintenance organizations ("HMOs"), with a small portion of our revenue coming from non-insured patients. We provide care coordination services to each major constituent of the healthcare delivery system, including patients, families, primary care physicians, specialists, acute care hospitals, alternative sites of inpatient care, physician groups and health plans. Our physician network consists of primary care physicians, specialist physicians and hospitalists. We operate primarily through Apollo Medical Holdings, Inc. ("ApolloMed") and the following subsidiaries: Network Medical Management ("NMM"), Apollo Medical Management, Inc. ("AMM"), APA ACO, Inc. ("APAACO") and Apollo Care Connect, Inc. ("Apollo Care Connect"), and their consolidated entities, including consolidated variable interest entities ("VIE").

Through our next generation accountable care organization ("NGACO") model and a network of independent practice associations ("IPAs") with more than 6,000 contracted physicians, which physician groups have agreements with various health plans, hospitals and other HMOs, we are currently responsible for coordinating the care for over 800,000 patients in California. These covered patients are comprised of managed care members whose health coverage is provided through their employers or who have acquired health coverage directly from a health plan or as a result of their eligibility for Medicaid or Medicare benefits. Our managed patients benefit from an integrated approach that places physicians at the center of patient care and utilizes sophisticated risk management techniques and clinical protocols to provide high-quality, cost effective care. To implement a patient-centered, physician-centric experience, we also have other integrated and synergistic operations, including (i) MSOs that provide management and other services to our affiliated IPAs, (ii) outpatient clinics and (iii) hospitalists that coordinate the care of patients in hospitals.

Recent Developments

The following describes certain developments from 2018 to date that are important to understanding our overall results of operations and financial condition.

Business Combination

On March 15, 2019, a consolidated VIE of the Company entered into an agreement to acquire a health care-related entity for total cash consideration of $45.0 million, subject to post-closing adjustments. The completion of this acquisition is subject to multiple contingencies and as of the filing date of this Quarterly Report this transaction has not been completed. The closing of the acquisition is scheduled to occur when all of the conditions to closing set forth in the stock purchase agreement have been satisfied or waived.

531 W. College

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 $16.2 million.

On March 27, 2019, Warren Hossenion, M.D., resigned as Co-Chief Executive Officer and as a director of Apollo Medical Holdings, Inc. effective March 28, 2019. Thomas Lam, M.D., ApolloMed's other Co-Chief Executive Officer, will continue to serve as the sole Chief Executive Officer of ApolloMed.

Key Financial Measures and Indicators

Operating Revenues

Our revenue primarily consists of capitation revenue, risk pool settlements and incentives, NGACO All-Inclusive Population-Based Payments ("AIPBP") revenue, management fee income and fee-for-services ("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 payroll, benefits, human resource services, 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
(Unaudited)

	For the Three Months Ended March 31, 2019	March 31, 2018	$ Change	% Change
Revenue				
Capitation, net	$ 71,516,778	$ 85,905,284	$ (14,388,506)	(17)%
Risk pool settlements and incentives	10,093,841	17,986,736	(7,892,895)	(44)%
Management fee income	8,996,600	12,074,572	(3,077,972)	(25)%
Fee-for-services, net	4,080,674	6,236,628	(2,155,954)	(35)%
Other income	1,069,278	1,720,026	(650,748)	(38)%
Total revenue	95,757,171	123,923,246	(28,166,075)	(23)%
Operating expenses				
Cost of services	83,432,474	84,614,686	(1,182,212)	(1)%
General and administrative expenses	10,263,960	11,301,237	(1,037,277)	(9)%
Depreciation and amortization	4,417,581	5,058,512	(640,931)	(13)%
Provision for bad debt	951,014	247,102	703,912	285%
Total expenses	99,065,029	101,221,537	(2,156,508)	(2)%
(Loss) income from operations	(3,307,858)	22,701,709	(26,009,567)	(115)%
Other income (expense)				
Loss from equity method investments	(849,657)	(28,024)	(821,633)	2932%
Interest expense	(210,979)	(85,001)	(125,978)	148%
Interest income	323,008	269,818	53,190	20%
Other income	187,116	87,993	99,123	113%
Total other (expense) income, net	(550,512)	244,786	(795,298)	(325)%
(Loss) income before (benefit from) provision for income taxes	(3,858,370)	22,946,495	(26,804,865)	(117)%
(Benefit from) provision for income taxes	(1,408,241)	7,228,840	(8,637,081)	(119)%
Net (loss) income	$ (2,450,129)	$ 15,717,655	(18,167,784)	(116)%
Net (loss) income attributable to noncontrolling interests	(2,589,793)	13,557,200	(16,146,993)	(119)%
Net income attributable to Apollo Medical Holdings, Inc.	$ 139,664	$ 2,160,455	$ (2,020,791)	(94)%

Net Income Attributable to Apollo Medical Holdings, Inc.

Our net income attributable to Apollo Medical Holdings, Inc. for the three months ended March 31, 2019 was $0.1 million, as compared to net income of $2.1 million for the same period in 2018, a decrease of $2.0 million or 94%.

Physician Groups and Patients

As of March 31, 2019 and 2018, the total number of affiliated physician groups managed by us was 10 and 11 groups, respectively, and the total number of patients for whom we managed the delivery of healthcare services was approximately 821,000 and 963,000, respectively. The decrease was due to the closure of an affiliated physician group on January 31, 2019 as their primary healthplan cancelled their contract.

Revenue

Our revenue for the three months ended March 31, 2019 was $95.8 million, as compared to $123.9 million for the three months ended March 31, 2018, a decrease of $28.1 million, or 23%. The decrease in revenue was primarily attributable to the following;

(i) Capitation revenues decreased by approximately $14.4 million primarily due to the delayed commencement by the Centers for Medicare & Medicaid Services ("CMS") of APAACO's 2019 Next Generation ACO performance year to April 1, 2019. In 2018, CMS commenced the performance year in February 2018, and we received payments at a rate of approximately $7.3 million per month from CMS. As a result of the deferral of the 2019 performance year commencement date, no revenues were recognized by us in the first quarter 2019. During the three months ended March 31, 2019, we received monthly payments of approximately $8.3 million for performance year 2019, which was recorded as a contract liability to be recognized as revenue in the second quarter of 2019 based on the amount of All-Inclusive Population-Based Payments ("AIPBP") made.

(ii) Risk pool revenue decreased by $7.9 million due to the 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 in which payments have not been received. The actual risk pool surpluses are settled approximately 18 months later.

(iii) Management fee income decreased by $3.1 million mainly due to a decrease in the number of patients served by some of our affiliated physician groups, including an affiliated physician group that ceased operations as their primary health plan cancelled their contract.

(iv) Fee-for-service revenue decreased by $2.1 million due to strategic decisions in 2018 to wind down several medical groups affiliated with Apollo Medical Holdings, Inc. prior to the Merger. The operations of these medical groups, BAHA, AKM, and MMG, were not consistent with the Company's future business plans.

(v) Other income decreased by $0.6 million as a result of changes in the accrual of revenue related to maternity supplemental (kick) payments.

Cost of Services

Expenses related to cost of services for the three months ended March 31, 2019 were $83.4 million, as compared to $84.6 million for the same period in 2018, a decrease of $1.2 million, or 1%. The overall decrease was due to a $3.0 million decrease in medical claims, capitation and other health services expense and $7.5 million decrease in costs due to the strategic decisions to wind down BAHA, AKM, and MMG, offset by an increase of $2.3 million of investment in personnel costs to support continued growth in depth and breadth of our operations and an increase of $7.0 million related to provider bonuses.

General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2019 were $10.3 million, as compared to $11.3 million for the same period in 2018, a decrease of $1.0 million, or 9%. The overall decrease is due to a $0.6 million decrease in stock compensation expense and $1.3 million decrease due to the strategic decisions to wind down legacy ApolloMed businesses, offset by an increase in professional fees of $0.9 million.

Depreciation and Amortization

Depreciation and amortization expense for the three months ended March 31, 2019 were $4.4 million, as compared to $5.1 million for the same period in 2018. This amount includes depreciation of property and equipment and the amortization of intangible assets from the Merger.

Provision for Doubtful Accounts

Provision for doubtful accounts was $1.0 million for the three months ended March 31, 2019 as compared to $0.2 million for the three months ended March 31, 2018. The increase related to an allowance against certain management fee income based on management's assessment of collectability of the related receivable.

Loss from Equity Method Investments

Loss from equity method investments for the three months ended March 31, 2019 was $0.8 million, as compared to a loss of $28,024 for the same period in 2018. The loss for the three months ended March 31, 2019 was primarily due to earnings from our investments in UCI, DMG, and PMIOC of $1.0 million, $0.2 million, and $0.1 million, respectively, offset by losses from our investments in LMA's IPA line of business and Accountable of $1.1 million and $0.8 million, respectively. In addition, we recognized an impairment loss of $0.3 million related to our investment in PASC as we do not expect to recover our investment.

Interest Expense

Interest expense for the three months ended March 31, 2019 and 2018 were $0.2 million and $0.1 million, respectively, and reflects interest on debt obligations associated with bank loans.

Interest Income

Interest income for the three months ended March 31, 2019 was $0.3 million as compared to $0.2 million for the three months ended March 31, 2018. An increase of approximately $0.1 million, as compared to the same period in 2018 mainly due to an increase in cash held in money market accounts which resulted in an increase in interest earned and the interest from notes receivable.

Other Income

Other income for the three months ended March 31, 2019 was approximately $0.2 million, as compared to $0.1 million, for the same periods in 2018 mainly due to increased rental income received.

Income Tax (Benefit) Provision

Income tax benefit was $1.4 million for the three months ended March 31, 2019, as compared to tax provision expense of $7.2 million for the same period in 2018. The tax benefit was due to losses incurred in the current period, as described above.

Net Income Attributable to Noncontrolling Interests

Net loss attributable to noncontrolling interests was $2.6 million for the three months ended March 31, 2019, compared to net income attributable of $13.6 million for the three months ended March 31, 2018, a decrease of $16.2 million, or 119%. This decrease was primarily due to a net loss generated from APC mainly attributable to increased provider costs and a reduction in risk pool revenue.

Liquidity and Capital Resources

Cash, cash equivalents and investment in marketable securities at March 31, 2019 totaled $94.2 million. Working capital totaled $88.5 million at March 31, 2019, compared to $100.8 million at December 31, 2018, a decrease of $12.3 million, or 12%.

We have historically financed our operations primarily through internally generated funds. We generate cash primarily from capitations, risk pool settlements and incentives, fees for medical management services provided to our affiliated physician groups, as well as 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 at least through the next twelve months.

Our cash, cash equivalents and restricted cash decreased by $13.9 million from $107.6 million at December 31, 2018 to $93.7 million at March 31, 2019. Cash used in operating activities during the three months ended March 31, 2019 was $4.0 million. The cash used in operations during the three months ended March 31, 2019 is a function of net losses of $2.5 million, adjusted for the following non-cash operating items: depreciation and amortization of $4.4 million, share-based compensation of $0.3 million, provision for doubtful accounts of $1.0 million and losses from equity method investments of approximately $0.8 million offset by a change in deferred tax liability of $2.6 million. Our cash provided by operating activities includes a net decrease in operating assets and liabilities of $5.4 million.

Cash used in investing activities during the three months ended March 31, 2019 was $0.1 million, due to purchases of property and equipment of $0.1 million during the three months ended March 31, 2019.

Cash used in financing activities during the three months ended March 31, 2019 was $9.8 million reflecting dividend payments of $10.0 million, offset by proceeds from exercise of stock options and warrants of $0.1 million and proceeds from the sale of VIE stock of $0.1 million during the three months ended March 31, 2019.

Credit Facilities

Lines of Credit – Related Party

NMM has a credit facility with Preferred Bank to borrow up to $20.0 million that matures on June 22, 2020. The credit facility 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, pursuant to an amendment entered into March 5, 2019 to facilitate the issuance of an additional standby letter of credit for the benefit of CMS. The amount outstanding as of March 31, 2019 and December 31, 2018 was $13.0 million and is classified as long-term and current liabilities. The interest rate is based on the Wall Street Journal “prime rate” plus 0.125%, or 5.625%, as of March 31, 2019 and December 31, 2018. As of March 31, 2019, NMM was in compliance with such financial debt covenant requirements. As of March 31, 2019 and December 31, 2018, availability under this line of credit was $0.7 million.

NMM has a non-revolving line of credit facility 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 to reduce the loan availability from $20.0 million to $16.0 million. The interest rate is based on the Wall Street Journal “prime rate” plus 0.125%, or 5.625% as of March 31, 2019 and December 31, 2018. The line of credit was obtained to finance potential acquisitions, with each drawdown to be converted into a five-year term loan with monthly principal payments plus interest based on a five-year amortization schedule, the availability of the line of credit is reduced accordingly based on the aggregate amount drawn. As of March 31, 2019 and December 31, 2018, availability under this line of credit was $20.0 million.

APC has a credit facility with Preferred Bank to borrow up to $10.0 million that matures on June 22, 2020. No amounts have been drawn on this facility. This credit facility was subsequently amended on April 17, 2019 to increase the loan availability from $10.0 million to $40.0 million. The interest rate is based on the Wall Street Journal “prime rate” plus 0.125%, or 5.625%, as of March 31, 2019 and December 31, 2018. As of March 31, 2019, APC was in compliance with such financial debt covenant requirements. As of both March 31, 2019 and December 31, 2018, availability under this line of credit was $9.7 million. Because APC is a VIE of NMM, loans obtained by APC can only be used to fund the operations of that company, and, accordingly, we are not liable for the repayment of any of APC’s borrowings under the Preferred Bank credit facility. In addition, this credit facility is not available to support NMM’s liquidity needs and can only be used for APC.

Bank Loans

In December 2010, ICC obtained a loan of $4.6 million from a financial institution. The loan bears interest based on the Wall Street Journal “prime rate”, or 5.50% per annum, as of December 31, 2018. The loan is collateralized by the medical equipment ICC owns and guaranteed by one of ICC’s shareholders. The loan matured on December 31, 2018 and final payment was made in January 2019. As of December 31, 2018, the balance outstanding was $40,257 and is classified as current liabilities.

Intercompany Loans

Each of AMH, MMG, BAHA, ACC, 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. The following is a summary of the intercompany loans during the three-month period ended March 31, 2019:

			Three Months Ended March 31, 2019			
Entity	Facility	Interest rate per Annum	Maximum Balance During Period	Ending Balance	Principal Paid During Period	Interest Paid During Period
AMH	$ 10,000,000	10%	$ 5,140,786	$ 4,831,575	$ 695,000	$ -
ACC	1,000,000	10%	1,287,843	1,287,843	-	-
MMG	3,000,000	10%	3,069,499	3,069,499	-	-
AKM	5,000,000	10%	-	-	-	-
SCHC	5,000,000	10%	3,977,226	3,977,226	-	-
BAHA	250,000	10%	4,064,392	4,064,392	-	-
	$ 24,250,000		$ 17,539,746	$ 17,230,535	$ 695,000	$ -

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America ("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 condensed 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 condensed 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, 2018.

New Accounting Pronouncements

See Note 2 to the accompanying condensed 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 March 31, 2019, we had no off-balance sheet arrangements.

Inflation

Inflation and changing prices have had no effect on our continuing operations over our two most recent fiscal years.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

We conducted an evaluation, under the supervision and with the participation of management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this quarterly report. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of the evaluation date, our disclosure controls and procedures were not effective at the reasonable assurance level.

Our disclosure controls and procedures are designed to ensure that the information relating to our company, including our consolidated subsidiaries, required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow for timely decisions regarding required disclosure.

Our management, including our chief executive officer and chief financial officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, and must reflect the facts that there are resource constraints and that the benefits of controls have to be considered relative to their costs. The inherent limitations in internal control over financial reporting include the realities that judgments can be faulty and that breakdowns can occur because of simple error or mistake. Controls also can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of controls. In addition, over time, controls may become inadequate because of changes in circumstances, or the degree of compliance with the policies and procedures may deteriorate.

Based on management's assessment of our internal control over financial reporting as of March 31, 2019, the following material weakness existed as of that date:

The Company did not maintain effective internal controls over the review of completeness and accuracy of data included in the full risk pool reports provided by an external party based on which material amounts of revenue were recognized. These reports are used to record an adjustment to accrue for additional surplus amounts, which represents a significant estimate of the expected variable consideration to be received upon settlement, primarily as it relates to revenue adjustments. As a result, unless remediated, there is a reasonable possibility that the Company's controls will fail to prevent or detect a misstatement related to full risk pools; and inaccuracies in the full risk pool reports could result in a potential material misstatement if not detected.

Notwithstanding the material weakness discussed above, our management, including our CEO and CFO, concluded that the consolidated financial statements in this Report on Form 10-Q fairly present, in all material respects, the Company's financial condition, results of operations and cash flows for the periods presented, in conformity with U.S. GAAP.

Remediation Plan for Material Weakness in Internal Control over Financial Reporting

We are currently in the process of implementing our remediation plans. To date, we have implemented and are continuing to implement a number of measures to address the material weakness identified. Our management has taken the following actions that materially affect, or are reasonably likely to materially affect, our internal control over financial reporting: The Company continues to design new procedures to test the reliability of the information included in future full risk pool reports prepared for the Company by an external party and expects to implement these procedures during 2019 to remediate this control gap.

Changes in Internal Control Over Financial Reporting

Beginning January 1, 2019, we implemented ASC 842, Leases. Although the new leasing standard did not have a material impact on our results of operations or cash flows, it did have a material impact on our financial position due to the recording of an operating lease right-of-use asset and operating lease liability beginning January 1, 2019. As a result, we implemented changes to our processes related to leases and the control activities within them during the three months ended March 31, 2019. These included ongoing contract review requirements and gathering of information provided for disclosures, as well as other requirements of the new lease guidance.

There were no other changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) during the period covered by this quarterly report 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. Nonetheless, 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, 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, 2018 filed with the SEC on March 18, 2019. 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. While we believe there have been no material changes in our risk factors from those disclosed in the Annual Report, additional risks and uncertainties not currently known or 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 condensed 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. 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.

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

During the three months ended March 31, 2019 the Company issued an aggregate of 4,131 shares of common stock and received approximately $37,179 from the exercise of certain warrants at an exercise price of $9.00 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

On March 15, 2019, a consolidated VIE of the Company entered into an agreement to acquire a health care-related entity for total cash considerations of $45.0 million, subject to post-closing adjustments. The completion of this acquisition is subject to multiple contingencies and as of the filing date of this Quarterly Report this transaction has not been completed. The closing of the acquisition is scheduled to occur when all of the conditions to closing set forth in the Stock Purchase Agreement have been satisfied or waived.

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.
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).
4.1	Certificate of Designation of Series A Convertible Preferred Stock (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on October 19, 2015).
4.2	Amended and Restated Certificate of Designation of Apollo Medical Holdings, Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 4, 2016).
4.3	Form of Certificate for Common Stock of Apollo Medical Holdings, Inc., par value $0.001 per share (incorporated herein by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K filed on April 2, 2018).
4.4	Form of Warrant issued as Merger Consideration pursuant to the Merger Agreement for the purchase of Common Stock of Apollo Medical Holdings, Inc., exercisable at $11.00 per share (incorporated herein by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K filed on April 2, 2018).
4.5	Form of Warrant issued as Merger Consideration pursuant to the Merger Agreement for the purchase of Common Stock of Apollo Medical Holdings, Inc., exercisable at $10.00 per share (incorporated herein by reference to Exhibit 4.4 to the Company's Annual Report on Form 10-K filed on April 2, 2018).
4.6	Common Stock Purchase Warrant ("Series A Warrant") dated October 14, 2015, originally issued by Apollo Medical Holdings, Inc. to Network Medical Management, Inc. to purchase 1,111,111 shares of common stock and subsequently issued as Merger Consideration pursuant to the Merger Agreement (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 19, 2015).
4.7	Form of Assignment of Series A Warrant as Merger Consideration pursuant to the Merger Agreement (incorporated herein by reference to Exhibit 4.6 to the Company's Annual Report on Form 10-K filed on April 2, 2018).
4.8	Common Stock Purchase Warrant ("Series B Warrant") dated March 30, 2016, originally issued by Apollo Medical Holdings, Inc. to Network Medical Management, Inc. to purchase 555,555 shares of common stock and subsequently issued as Merger Consideration pursuant to the Merger Agreement (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 4, 2016).
4.9	Form of Assignment of Series B Warrant as Merger Consideration pursuant to the Merger Agreement (incorporated herein by reference to Exhibit 4.8 to the Company's Annual Report on Form 10-K filed on April 2, 2018).
4.10	Common Stock Purchase Warrant dated November 4, 2016, issued by Apollo Medical Holdings, Inc., to Scott Enderby, D.O. (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 10, 2016).
4.11	Common Stock Purchase Warrant dated November 17, 2016, issued by Apollo Medical Holdings, Inc. to Liviu Chindris, M.D. (incorporated herein by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q filed on February 14, 2017).
31.1*	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.
31.2*	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.
32**	Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to 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
†	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.
*	Filed herewith.
**	Furnished herewith

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: May 10, 2019

By: /s/ Thomas Lam
Thomas Lam
Chief Executive Officer
(Principal Executive Officer)

Dated: May 10, 2019

By: /s/ Eric Chin
Eric Chin
Chief Financial Officer
(Principal Financial and Accounting Officer)

STOCK PURCHASE AGREEMENT

BY AND BETWEEN

ALLIED PHYSICIANS OF CALIFORNIA, A PROFESSIONAL MEDICAL CORPORATION,

APC-LSMA DESIGNATED SHAREHOLDER MEDICAL CORPORATION,

AND

DR. KEVIN TYSON

Dated as of March 15, 2019

TABLE OF CONTENTS

TABLE OF CONTENTS
(Continued)

TABLE OF CONTENTS
(Continued)

TABLE OF CONTENTS
(Continued)

EXHIBIT AND SCHEDULE INDEX

Exhibit

STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (this "**Agreement**") is entered into as of March 15, 2019 (the "**Execution Date**"), by and between Allied Physicians of California, A Professional Medical Corporation, a California professional medical corporation ("**Allied**"), APC- LSMA Designated Shareholder Medical Corporation, a California professional medical corporation ("**APC-LSMA**" and, together with Allied, the "**Buyer**" and each individually, a "**Buyer Entity**"), and Dr. Kevin Tyson, a natural person ("**Seller**").

RECITALS

WHEREAS, Seller currently owns all of the issued and outstanding shares (the "**Shares**") of capital stock of Alpha Care Medical Group, Inc., a California professional medical corporation (the "**Company**"), comprised solely of the Company's common stock, no par value per share (the "**Common Stock**");

WHEREAS, Allied Physicians of California, A Professional Medical Corporation and APC-LSMA Designated Shareholder Medical Corporation desire to enter into this agreement jointly and severally as Buyer; and

WHEREAS, Seller wishes to sell to Buyer, and Buyer wishes to purchase from Seller, all of the Shares, for the consideration and on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the promises and the mutual covenants, agreements and conditions contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I DEFINITIONS

1.1. Defined Terms. For the purposes of this Agreement, the following capitalized terms shall have the meanings ascribed to them below:

"**Affiliate**" means, with respect to a specified person, a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified. The term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise.

"**Agreement**" has the meaning ascribed to it in the Preamble hereto. "**Allied**" has the meaning ascribed to it in the Preamble hereto.

"**Alternative Transaction**" means a transaction, other than the Share Purchase and the other transactions contemplated by this Agreement, involving (a) the sale, transfer, assignment or other disposition by Seller to any Person, other than Buyer or its Affiliates, of any Shares or, other than as permitted pursuant to Section 5.3, any material assets of the Company, in each case whether by merger, share or asset purchase, or otherwise or (b) any dissolution or winding up of the Company.

"**APC-LSMA**" has the meaning ascribed to it in the Preamble hereto.

"**Auction**" means the process undertaken by Seller involving the potential disposition of the Shares to one or more competing bidders.

"**Balance Sheet Date**" has the meaning ascribed to it in Section 3.7.

"**Business Day**" means any day other than a Saturday or a Sunday or a day on which banks located in Los Angeles, California generally are authorized or required by Law or regulation to close.

"**Buyer**" has the meaning ascribed to it in the Preamble hereto.

"**Buyer Account**" has the meaning ascribed to it in Section 2.3(f).

"**Buyer Entity**" has the meaning ascribed to it in the Preamble hereto.

"**Buyer Executive**" has the meaning ascribed to it in Section 2.5(b)(iii).

"**Buyer Fundamental Reps**" has the meaning ascribed to it in Section 10.1.

"**Buyer Indemnified Parties**" has the meaning ascribed to it in Section 10.2(a).

"**Buyer Plans**" has the meaning ascribed to it in Section 6.3(a).

"**Buyer Post-Closing Adjustment Escrow Account**" means the escrow account opened pursuant to the terms of the Escrow Agreement and funded exclusively by the Buyer Post- Closing Adjustment Escrow Amount as set forth in Section 2.5(d)(iv).

"**Buyer Post-Closing Adjustment Escrow Amount**" means Two Million Dollars ($2,000,000).

"**Closing**" has the meaning ascribed to it in Section 2.4.

"**Closing Date**" has the meaning ascribed to it in Section 2.4.

"**Closing Working Capital**" means (i) the aggregate amount of the current assets of the Company, *minus* (ii) the aggregate amount of the current liabilities of the Company, in each case determined as of immediately following the Closing on a basis consistent with the accounting principles and policies used in the preparation of the Financial Statements, it being understood that clause (i) shall include all cash, restricted cash and cash equivalents (including certificates of deposit), including all cash, restricted cash and cash equivalents that secure any letters of credit of the Company, held by the Company as of immediately following the Closing.

"**CMC**" has the meaning ascribed to it in Section 6.1(a).

"**CMC Plans**" has the meaning ascribed to it in Section 6.3(a).

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Commercially Reasonable Efforts**" means the reasonable efforts that a reasonably prudent person would, at the time of executing this Agreement, contemplate using in similar circumstances in an effort to achieve a desired result set forth in this Agreement in a reasonably expeditious manner; *provided*, *that*, "Commercially Reasonable Efforts" shall not require the provision of any consideration to any third party of any amounts, except for the costs of making filings in the ordinary course of business, the reasonable fees and expenses of counsel and accountants, any nominal consent fees provided for in the existing provisions of any Major Contract, and the customary fees and charges of Governmental Authorities.

"**Common Stock**" has the meaning ascribed to it in the Recitals hereto.

"**Company**" has the meaning ascribed to it in the Recitals hereto.

"**Company Business**" means the business of the Company as conducted on the Execution Date.

"**Company Expenses**" shall mean (i) the aggregate expenses of the Company (x) payable to its financial and legal advisors for services rendered in connection with the Auction, this Agreement, and the transactions contemplated by this Agreement, and (y) payable to CMC for sale bonuses in connection with the transactions contemplated by this Agreement and (ii) the MedPOINT Termination Fee payable to MedPOINT in connection with the termination of the MedPOINT Agreement pursuant to the MedPOINT Termination Agreement, as set forth on a schedule (the "**Company Expenses Schedule**") to be delivered by Seller to Buyer no later than two (2) Business Days prior to the Closing Date, it being understood that all Company Expenses, to the maximum extent permitted by Law, shall be attributable to the Pre-Closing Tax Period.

"**Company Expenses Schedule**" shall mean the schedule referenced in the definition of "Company Expenses," which shall include the account information of the financial and legal advisors of the Company, of CMC and of MedPOINT to which the amounts of the Company Expenses are to be paid by wire transfer of immediately available U.S. funds.

"**Confidentiality Agreement**" means the confidentiality agreement, dated as of October 2018, by and between Network Medical Management, Inc. and APC-LSMA Designated Shareholder Medical Corporation, on the one hand, and Seller, on the other.

"**Consent**" means any consent or approval of any third-party person that is not a Governmental Authority.

"**Contract**" means any written agreement, contract or legally binding commitment.

"**Damages**" has the meaning ascribed to it in Section 10.2(d).

"**D&O Insurance**" has the meaning ascribed to it in Section 5.7.

"**Deal Communications**" has the meaning ascribed to it in Section 5.9(d).

"**Disclosure Schedules**" means the disclosure schedules to this Agreement delivered by Seller to Buyer as of the Execution Date.

"**Drop-Dead Date**" has the meaning ascribed to it in Section 9.1(a).

"**Employee**" means each individual who performs services for the Company and is employed by CMC.

"**Employee Benefit Plan**" means (i) each "employee benefit plan" (within the meaning of Section 3(3) of ERISA) and (ii) each other material pension, retirement, deferred compensation, excess benefit, profit sharing, bonus, incentive, equity or equity-based, employment, consulting, severance, change-of-control, health, life, disability, group insurance, vacation, holiday and material fringe benefit plan, program, contract, or arrangement (whether written or unwritten, qualified or nonqualified, funded or unfunded), in any case, maintained, contributed to, or required to be contributed to, by the Company (or CMC on behalf of the Company) for the benefit of any current or former employee, director, officer or independent contractor of the Company (or CMC on behalf of the Company), but in all cases, excluding any multiemployer plan, as described in Section 3(37) of ERISA and any plan maintained by a Governmental Authority.

"**Environmental Law**" means all Laws in effect relating to pollution or protection, preservation or restoration of the environment (including air, surface water, groundwater, drinking water supply, surface land and subsurface land) or natural resources.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**Escrow Agent**" means Citibank, N.A.

"**Escrow Agreement**" means that certain Escrow Agreement by and among Buyer, Seller and the Escrow Agent, in the form provided by the Escrow Agent (with such changes as set forth in this Agreement or as reasonably requested by Buyer or Seller), relating to the Indemnification Escrow Account, the Seller Post-Closing Adjustment Escrow Account, the MedPOINT Escrow Account, and the Buyer Post-Closing Adjustment Escrow Account, with such changes therein as are required by the Escrow Agent to serve in such capacity and are reasonably acceptable to Buyer and Seller.

"**Estimated Closing Statement**" has the meaning ascribed to it in Section 2.3(a).

"**Estimated Purchase Price**" has the meaning ascribed to it in Section 2.3(b).

"**Execution Date**" has the meaning ascribed to it in the Preamble hereto.

"**Final Closing Statement"** has the meaning ascribed to it in Section 2.3(c).

"**Financial Statements**" has the meaning ascribed to it in Section 3.7.

"**Fraud**" means actual and intentional fraud with respect to the making of representations and warranties pursuant to Article III (in the case of Seller) or Article IV (in the case of Buyer); *provided*, *that*, such actual and intentional fraud shall only be deemed to exist if a party makes a knowing and intentional misrepresentation of a material fact with the intent that another party rely on such fact, coupled with such other party's detrimental reliance on such fact under circumstances that constitute common law fraud under applicable Law.

"**GAAP**" means United States generally accepted accounting principles as in effect from time to time, consistently applied.

"**Governmental Approval**" means any authorization, consent, approval, certification, permit, license or order of, or any filing, registration or qualification with, any Governmental Authority.

"**Governmental Authority**" means any foreign, international, multinational, national, federal, state, provincial, regional, local or municipal court or other governmental, administrative or regulatory authority, agency or body exercising executive, legislative, judicial, regulatory or administrative functions.

"**Governmental Prohibition**" has the meaning ascribed to it in Section 7.3.

"**Hazardous Substance**" means any substance or material that is described as a toxic or hazardous substance, waste or material, a pollutant, a contaminant or infectious waste, or words of similar import, under the Environmental Laws, or chemicals or compounds that are otherwise subject to regulation, control or remediation under the Environmental Laws.

"**Health Care Laws**" means all laws of a Governmental Authority, as such are in effect and applicable to the Company as of the Execution Date, governing: (a) the licensure, certification, qualification, franchise or authority to transact the business of the Company in connection with the management or provision of, payment for, or arrangement of, health care services; (b) Persons contracting with third party payors for the payment of health care services, including with Medicare, Medicaid, TRICARE, and/or other federal or state health care payment programs, employer self-insurance plans, insurance companies, health maintenance organizations, managed care organizations, preferred provider organizations, physician-hospital organizations, clinical integration organizations, provider networks or organizations and/or accountable care organizations, including with respect to enrollment, credentialing, participation, exclusion, compliance with applicable payment program policies and procedures, program integrity, and regulation of Persons bearing financial risk for the provision or arrangement of health care items and services; (c) financial relationships between Persons and health care providers, including under the federal anti-kickback law (42 U.S.C. § 1320a-7b(b)), the Federal False Claims Act (31 U.S.C. §§ 3729, et seq.), the Stark Law (42 U.S.C. § 1395nn) and the federal Civil Monetary Penalties Law (42 U.S.C. § 1320a-7a), other laws set forth in the Social Security Act including the mandatory reporting and return of overpayments (42 U.S.C. § 1320a-7k(d)) and the prohibition on use of excluded Persons, or any state anti-kickback, anti-solicitation, patient brokering, patient capping, and fee-splitting laws; (d) the corporate practice of medicine; (e) financial relationships between health care providers and medical device manufacturers, including so-called "sunshine acts" requiring reporting of ownership, conflict of interest, and financial relationships or transactions, and/or prohibiting certain such financial relationships; and (f) pricing of health care services, reporting of quality, utilization, and/or pricing of health care items or services, and/or mandated reporting of illnesses, diseases, and adverse events or incidents.

"**HIPAA**" has the meaning ascribed to it in Section 3.12(c).

"**IBNR Liabilities**" means the obligations of the Company for accrued medical claims and incurred but not reported medical claims.

"**IBNR Report**" has the meaning ascribed to it in Section 2.7(c)(ii).

"**IEHP**" means Inland Empire Health Plan.

"**IEHP Agreement**" means that certain Capitated IPA Agreement, dated as of January 1, 2019, by and between Inland Empire Health Plan and Alpha Care Medical Group, Inc. "**IEHP Approval**" has the meaning ascribed to it in Section 7.4.

"**IEHP Make-Whole Payment**" means any payment made by IEHP to or for the account of the Company on or following the Closing to offset the deficit caused by IEHP transitioning its IPA capitation methodology to risk adjustment using the ACG system effective January 1, 2019, as described in IEHP's letter to the Company dated January 16, 2019.

"**Indemnification Escrow Account**" means the escrow account opened pursuant to the terms of the Escrow Agreement and funded exclusively by the Indemnification Escrow Amount as set forth in Section 2.5(d)(i).

"**Indemnification Escrow Amount**" means Four Million Five Hundred Thousand Dollars ($4,500,000).

"**Indemnified Party**" has the meaning ascribed to it in Section 10.2(c).

"**Indemnifying Party**" has the meaning ascribed to it in Section 10.2(c).

"**IPA**" has the meaning ascribed to it in Section 5.12.

"**Knowledge**" means the extent, if any, of actual awareness of a particular fact or matter (in each case after such inquiry as would be due from a person holding the office held by such person in the ordinary course of performing his or her duties consistent with past practice in that position for a similarly situated business) of (i) with respect to Seller, Dr. Kevin Tyson and Jessica Roenicke, (ii) with respect to Buyer, Dr. Kenneth Sim and Dr. Thomas Lam, (iii) with respect to any other entities, the executive officers of such entity, and (iv) with respect to any individuals, such individual.

"**Laws**" means any and all foreign, international, multinational, national, federal, state, provincial, regional, local, municipal and other administrative laws (including common law), statutes, codes, orders, ordinances, rules and regulations, constitutions and treaties enacted, promulgated or issued and put into effect by a Governmental Authority, including Health Care Laws and Privacy Laws.

"**Leased Real Property**" means all leasehold or subleasehold estates and other rights to use or occupy any land, buildings, structures, fixtures, fittings and improvements held by the Company.

"**Leases**" has the meaning ascribed to it in Section 3.14(b).

"**Liabilities**" means liabilities, obligations, guarantees, assurances and commitments of every kind, nature, character and description whatsoever, whenever arising, whether known or unknown, whether asserted or unasserted, whether fixed, absolute or contingent, whether accrued or unaccrued, whether matured or unmatured, whether liquidated or unliquidated, whether due or to become due, and whether or not recorded or reflected or required to be recorded or reflected on books and records or financial statements, including fees, costs, expenses and losses relating thereto.

"**Liens**" means any liens, pledges, mortgages, deeds of trust, security interests, claims, leases, charges, options, rights of first refusal, easements, servitudes, conditional sales contracts, encumbrances or transfer restrictions under any shareholder or similar agreement.

"**Major Contracts**" has the meaning ascribed to it in Section 3.10.

"**Material Adverse Effect**" means any change, event, occurrence, fact, condition or effect that is, individually or in the aggregate, materially adverse to the business, financial condition or results of operations of the Company; *provided*, *that*, none of the following shall constitute, or shall be considered in determining whether there has occurred, and no change or effect resulting or arising out of any of the following shall constitute, a Material Adverse Effect: (i) general business, economic, political, social, legal or regulatory conditions, (ii) general conditions of the industries in which the Company operates, (iii) general conditions in financial, banking or securities markets (including any disruption thereof), (iv) changes in applicable Law or GAAP, or any interpretation thereof, (v) outbreak or escalation of hostilities, terrorist attack (whether against a nation or otherwise) or war, (vi) the announcement or pendency of the Auction, this Agreement, the Share Purchase or any of the other transactions contemplated hereby (including any threatened or actual impact on relationships of the Company with customers, vendors, suppliers, distributors, landlords or employees), (vii) compliance with the terms of, or the taking of any action required by, this Agreement, or the taking or not taking of any action at the request of, or with the consent of, Buyer, or (viii) the performance or consummation of the Share Purchase or any of the other transactions contemplated hereby.

"**Maximum Cap**" has the meaning ascribed to it in Section 10.4(c).

"**MedPOINT**" shall mean MedPOINT Management, a California corporation.

"**MedPOINT Agreement**" shall mean that certain Management Agreement, dated as of December 1, 2017, by and between the Company and MedPOINT.

"**MedPOINT Escrow Account**" means the escrow account opened pursuant to the terms of the Escrow Agreement to fund the MedPOINT Termination Fee.

"**MedPOINT Termination Agreement**" has the meaning ascribed to it in Section 7.5.

"**MedPOINT Termination Fee**" means the termination fee, if any, payable to MedPOINT in connection with the termination of the MedPOINT Agreement pursuant to the MedPOINT Termination Agreement

"**MedPOINT Transition Period**" shall mean the period commencing on the Closing Date and ending on the last day of the third (3rd) month following the Closing Date. By way of example, if the Closing Date occurs on April 30, 2019, then the "MedPOINT Transition Period" will commence on April 30, 2019 and end on July 31, 2019.

"**MTO**" has the meaning ascribed to it in Section 11.19.

"**New Employees**" has the meaning ascribed to it in Section 6.1(d).

"**Order**" means any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award.

"**Ordinary Course of Business**" means the conduct of the Company Business in a manner substantially consistent with the customary conduct of such business, including any activities related to the conduct of the Auction or authorized or contemplated by this Agreement or the transactions contemplated hereby.

"**Payment Programs**" has the meaning ascribed to it in Section 3.12(b).

"**Permitted Encumbrances**" means (a) any Liens for Taxes that are not yet due and payable, that are not yet subject to penalties for delinquent nonpayment, or that are being contested in good faith by appropriate Proceedings, (b) any Liens in favor of vendors, carriers, warehousemen, repairmen, mechanics, workmen, materialmen, construction or similar Liens arising by operation of law or in the Ordinary Course of Business, (c) any zoning, building code, land use, planning, entitlement, environmental or similar Laws or regulations imposed by any Governmental Authority, (d) workers' or unemployment compensation Liens arising in the Ordinary Course of Business, (e) the interests of lessors in equipment or leasehold fixtures and improvements leased or loaned to the Company, (f) any Liens that will be discharged or released either prior to, or substantially simultaneous with, the Closing, (g) any Liens created by Buyer or any of its Affiliates, and (h) any such other Liens, imperfections of title and other similar matters that do not, individually or in the aggregate, materially impair the current use and enjoyment of any material property or assets of the Company.

"**Person**" means any individual, partnership, firm, corporation, limited liability company, association, trust, unincorporated organization, or other entity.

"**Post-Closing Adjustment Period**" means the thirteen (13)-month period commencing on the Closing Date and ending on the last day of the thirteenth (13th) month following the Closing Date. By way of example, if the Closing Date occurs on April 30, 2019, then the "Post-Closing Adjustment Period" will commence on April 30, 2019 and end on May 31, 2020.

"**Post-Closing Adjustment Statement**" has the meaning ascribed to it in Section 2.7(d)(i).

"**Post-Closing Net Adjustment Amount**" has the meaning ascribed to it in Section 2.7(d)(i).

"**Pre-Closing Tax Period**" has the meaning ascribed to it in Section 5.8(a)(i).

"**Privacy Laws**" means all laws of a Governmental Authority concerning privacy or security of personally identifiable information, personal information or personal data, as such are in effect and applicable to the Company as of the Execution Date, including: (a) HIPAA; (b) laws governing transmission and storage of medical records; (c) federal and state laws concerning protected or sensitive health information, including alcohol and substance abuse treatment records, HIV/AIDS status and treatment records, genetic information, information about sexually transmitted or other communicable diseases, and psychotherapy records; and (d) state privacy, security and data breach laws.

"**Privileged Deal Communications**" has the meaning ascribed to it in Section 5.9(d).

"**Proceeding**" means any action, inquiry, proceeding, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, investigative or informal), commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Authority.

"**Provider**" has the meaning ascribed to it in Section 3.12(b).

"**Purchase Price**" has the meaning ascribed to it in Section 2.2.

"**Purchase Price Excess**" has the meaning ascribed to it in Section 2.3(e).

"**Purchase Price Shortfall**" has the meaning ascribed to it in Section 2.3(f).

"**Real Property**" means land, together with all buildings, structures, fixtures, fittings and improvements located thereon, and all privileges, rights, easements and appurtenants belonging thereto or for the benefit thereof.

"**Residual Communication**" has the meaning ascribed to it in Section 5.9(d).

"**Restricted Period**" shall mean the period commencing on the Closing Date and ending on the fifth (5th) anniversary of the Closing Date.

"**Restricted Territory**" shall mean the Riverside County, California and San Bernardino County, California.

"**Schedule Supplement**" has the meaning ascribed to it in Section 5.5.

"**Selected Accountants**" has the meaning ascribed to it in Section 2.3(d).

"**Selected Accountants Post-Closing Statement**" has the meaning ascribed to it in Section 2.7(d)(ii).

"**Selected Accountants Statement**" has the meaning ascribed to it in Section 2.3(d).

"**Seller**" has the meaning ascribed to it in the Preamble hereto.

"**Seller Account**" has the meaning ascribed to it in Section 2.5(b)(i).

"**Seller Fundamental Reps**" has the meaning ascribed to it in Section 10.1.

"**Seller Indemnified Parties**" has the meaning ascribed to it in Section 10.2.

"**Seller Post-Closing Adjustment Escrow Account**" means the escrow account opened pursuant to the terms of the Escrow Agreement and funded exclusively by the Seller Post- Closing Adjustment Escrow Amount as set forth in Section 2.5(d)(ii).

"**Seller Post-Closing Adjustment Escrow Amount**" means Five Hundred Thousand Dollars ($500,000).

"**Share Purchase**" has the meaning ascribed to it in Section 2.1.

"**Shares**" has the meaning ascribed to it in the Recitals hereto. '**Straddle Period**" has the meaning ascribed to it in Section 5.8(b).

"**Survival End Date**" has the meaning ascribed to it in Section 10.1.

"**Tax Authority**" means any Governmental Authority or any subdivision, agency, commission or authority thereof having jurisdiction over the assessment, determination, collection or imposition of any Tax.

"**Tax Claim**" has the meaning ascribed to it in Section 10.3(c).

"**Tax Period**" means any period prescribed by any Tax Authority for which a Tax Return is required to be filed or a Tax is required to be paid.

"**Tax Reps**" has the meaning ascribed to it in Section 10.1.

"**Tax Returns**" means any returns, declarations, reports, claims for refund, or information returns or statements relating to Taxes, including any schedule or attachment thereto and any amendment thereof.

"**Taxes**" means any federal, state, local, or foreign income, gross receipts, license, wages, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duty, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, registration, value- added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

"**Third Party Claims**" has the meaning ascribed to it in Section 10.2(c).

"**Transfer Eligible Employee**" has the meaning ascribed to it in Section 6.1(a).

"**Transfer Taxes**" has the meaning ascribed to it in Section 5.8(f).

"**Workers' Compensation Policy**" has the meaning ascribed to it in Section 6.3(f).

1.2. Interpretation. Unless the context clearly indicates otherwise: (a) each definition herein shall include the singular and the plural, (b) each reference herein to any gender shall include the masculine, feminine and neuter where appropriate, (c) the words "include" and "including" and variations thereof shall not be deemed terms of limitation, but rather shall be deemed to be followed by the words "without limitation," (d) the words "hereof," "herein," "hereto," "hereby," "hereunder" and derivative or similar words shall refer to this Agreement as an entirety and not solely to any particular provision of this Agreement, (e) each reference in this Agreement to a particular Article, Section, Exhibit or Schedule shall mean an Article or Section of, or an Exhibit or Schedule to, this Agreement, unless another agreement is specified, and (f) all references to "$" or "Dollars" shall mean United States Dollars.

ARTICLE II
THE TRANSACTIONS

2.1. Purchase and Sale of Shares. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller shall sell to Buyer, and Buyer shall purchase from Seller, the Shares, for the purchase price specified in Section 2.2 (the "**Share Purchase**").

2.2. Purchase Price. The aggregate purchase price for the Shares shall be Forty- Five Million Dollars ($45,000,000) in cash, reduced or increased, as the case may be, on a dollar- for-dollar basis by the amount, if any, by which Closing Working Capital (as finally determined pursuant to Section 2.3) is less than or more than, respectively, One Dollar ($1), *less* the aggregate amount of Company Expenses (such net amount, as adjusted, the "**Purchase Price**"). For the avoidance of doubt, Buyer and Seller agree and acknowledge that all cash, restricted cash and cash equivalents (including certificates of deposit), including all cash, restricted cash and cash equivalents that secure any letters of credit of the Company, held by the Company as of immediately following the Closing shall be reflected in "Closing Working Capital" as current assets of the Company.

2.3. Purchase Price Adjustment.

(a) No later than three (3) Business Days prior to the Closing Date, Seller shall cause the Company to deliver to Buyer a written statement (the "**Estimated Closing Statement**") setting forth its good faith written estimate, prepared in accordance with GAAP consistent with the Company's past practices, of Closing Working Capital determined on a basis consistent with the accounting principles and policies used in the preparation of the Financial Statements. The Estimated Closing Statement shall be accompanied by a certificate executed by a senior financial officer of the Company to the effect that the Estimated Closing Statement has been prepared in good faith in accordance with this Section 2.3(a).

(b) The Purchase Price payable at the Closing shall be preliminarily calculated in accordance withSection 2.2 as if the Company's estimate of Closing Working Capital set forth in the Estimated Closing Statement were the actual amount of Closing Working Capital. The Purchase Price as so estimated is referred to as the "**Estimated Purchase Price**."

(c) No later than thirty (30) days following the Closing Date, Buyer shall deliver to Seller a written statement (the "**Final Closing Statement**") setting forth its good faith calculation, prepared in accordance with GAAP consistent with the Company's past practices, of (i) Closing Working Capital, determined on a basis consistent with the accounting principles and policies used in the preparation of the Financial Statements, and (ii) the Purchase Price calculated in accordance with Section 2.2 as if Buyer's calculation of Closing Working Capital set forth in the Final Closing Statement were the actual amount of Closing Working Capital. The Final Closing Statement shall be accompanied by a certificate executed by a senior financial officer of Allied to the effect that the Final Closing Statement has been prepared in good faith in accordance with this Section 2.3(c).

(d) Buyer shall, and shall cause the Company to, reasonably cooperate with Seller and provide to Seller such information as Seller may reasonably request, in each case in connection with Seller's review of the Final Closing Statement, including promptly making available to Seller: (i) a copy of all workpapers, financial information and any other books and records utilized by Buyer in the preparation of the Final Closing Statement, and (ii) all personnel (including accounting personnel) of the Company, Buyer and Buyer's Affiliates, and all outside advisors, involved in the preparation of the Final Closing Statement. Seller shall notify Buyer in writing no later than thirty (30) days following Seller's receipt of the Final Closing Statement from Buyer that either: (x) Seller accepts the Final Closing Statement or (y) Seller disputes an item or items reflected on the Final Closing Statement. The failure by Seller to give Buyer such notice within such period shall be deemed to constitute Seller's acceptance of the Final Closing Statement. The parties shall use all Commercially Reasonable Efforts to resolve any such dispute, but if such dispute cannot be resolved by the parties within thirty (30) days after Seller gives notice of such dispute, it shall be referred to Grant Thornton LLP, unless Buyer and Seller mutually agree upon another nationally recognized independent public accounting firm (the "**Selected Accountants**"). Buyer hereby represents and warrants that the Selected Accountants do not currently provide substantive services to Buyer, has not provided substantive services to Buyer in the past three (3) years, and shall not be engaged to provide substantive services to Buyer (or, following the Closing, the Company) until the conclusion of all matters that may require the services of the Selected Accountants pursuant to this Section 2.3 or Section 2.7. Seller hereby represents and warrants that the Selected Accountants do not currently provide substantive services to Seller, has not provided substantive services to Seller in the past three (3) years, and shall not be engaged to provide substantive services to Seller until the conclusion of all matters that may require the services of the Selected Accountants pursuant to this Section 2.3 or Section 2.7. The determination of the Selected Accountants regarding such dispute, which shall be made as expeditiously as reasonably possible, shall be conclusive and binding on each party. In rendering its final determination regarding such dispute, the Selected Accountants shall deliver to each of Buyer and Seller a written statement (the "**Selected Accountants Statement**") setting forth its good faith calculation, prepared in accordance with GAAP consistent with the Company's past practices, of (i) Closing Working Capital, incorporating its final determination regarding such dispute and determined on a basis consistent with the accounting principles and policies used in the preparation of the Financial Statements, and (ii) the Purchase Price calculated in accordance with Section 2.2 incorporating the Selected Accountants' calculation of Closing Working Capital set forth in the Selected Accountants Closing Statement. One-half of the fees of the Selected Accountants shall be borne by Buyer and one-half shall be borne by Seller.

(e) If the Purchase Price as finally determined pursuant to this Section 2.3 is more than the Estimated Purchase Price (the "**Purchase Price Excess**"), Buyer and Seller shall promptly, and in no event later than two (2) Business Days following such final determination, provide the Escrow Agent with joint written instructions to deliver to Seller from the Buyer Post-Closing Adjustment Escrow Account an amount equal to the lesser of the Purchase Price Excess and the aggregate amount remaining in the Buyer Post-Closing Adjustment Escrow Account, by wire transfer in immediately available U.S. funds drawn from the Buyer Post-Closing Adjustment Escrow Account, to the Seller Account. If such amount is less than the Purchase Price Excess due Seller, then Buyer shall concurrently pay to Seller an amount equal to such difference, by wire transfer of immediately available U.S. funds, to the Seller Account.

(f) If the Purchase Price as finally determined pursuant to this Section 2.3 is less than the Estimated Purchase Price (the "**Purchase Price Shortfall**"), Buyer and Seller shall promptly, and in no event later than two (2) Business Days following such final determination, provide the Escrow Agent with joint written instructions to deliver to Buyer from the Seller Post-Closing Adjustment Escrow Account an amount equal to the lesser of the Purchase Price Shortfall and the aggregate amount remaining in the Seller Post-Closing Adjustment Escrow Account, by wire transfer in immediately available U.S. funds drawn from the Seller Post-Closing Adjustment Escrow Account, to the account designated by Buyer (the "**Buyer Account**"). If such amount is less than the Purchase Price Shortfall due Buyer, then Seller shall concurrently pay to Buyer an amount equal to such difference, by wire transfer of immediately available U.S. funds, to the Buyer Account.

2.4. Closing. The closing of the transactions contemplated by this Agreement upon the terms and subject to the conditions set forth herein (the "**Closing**") shall take place at the offices of Munger, Tolles & Olson LLP, Los Angeles, California, at 10:00 a.m. local time, on the last day of the calendar month (or if such day is not a Business Day, the first Business Day following such day) in which all of the conditions to Closing set forth in Article VII and Article VIII (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions) shall have been satisfied or waived; *provided*, *that*, (a) if there are less than two (2) Business Days between (i) the date on which all of the conditions to Closing set forth in Article VII and Article VIII (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions) shall have been satisfied or waived and (ii) the last day of the calendar month (or if such day is not a Business Day, the first Business Day following such day) in which the date set forth in clause (i) occurs, then the Closing shall take place on the last day of the immediately following calendar month (or if such day is not a Business Day, the first Business Day following such day), and (b) notwithstanding the foregoing, Buyer and Seller may mutually agree that the Closing shall take place at another time, place or date. The date on which the Closing occurs is referred to as the "**Closing Date**."

2.5. Closing Deliveries. At the Closing:

(a) Seller's Closing Deliveries. Seller shall deliver to Buyer the following documents:

(i) stock certificate(s) evidencing the Shares, duly endorsed in blank or accompanied by stock powers duly executed in blank, in proper form for transfer, it being understood that APC-LSMA shall be the Buyer Entity that is directly acquiring and owning the Shares;

(ii) a certificate duly executed by Seller reasonably satisfactory to Buyer certifying that the conditions with respect to Buyer's obligations under this Agreement set forth in Sections 7.1 and 7.2 have been satisfied;

(iii) a certificate of good standing for the Company issued by the California Secretary of State, dated no earlier than ten (10) Business Days prior to the Closing Date;

(iv) a written instrument evidencing the resignation of Dr. Kevin Tyson as a director of, and from all other positions held with, the Company, effective as of the Closing Date;

(v) a consent of the spouse of Dr. Kevin Tyson, in substantially the form attached hereto as Exhibit A;

(vi) the Escrow Agreement, duly executed by Seller;

(vii) an executed termination agreement, terminating the administrative services agreement between the Company and CMC, effective as of the Closing Date and certifying that no amounts are due and payable by the Company to CMC or CMC to the Company as of the Closing Date; and

(viii) a receipt duly executed by Seller certifying the receipt from Buyer of the wire transfer of the Estimated Purchase Price, *less* the combined amounts of the Indemnification Escrow Amount and the Seller Post-Closing Adjustment Escrow Amount, in accordance with Section 2.5(b).

(b) Buyer's Closing Deliveries. Buyer shall deliver:

(i) to Seller, the Estimated Purchase Price, *less* the combined amounts of the Indemnification Escrow Amount and the Seller Post-Closing Adjustment Escrow Amount, by wire transfer of immediately available U.S. funds, to the account designated by Seller (as such account may be modified from time to time by written notice from Seller to Buyer, the "**Seller Account**").

(ii) to the Company, an amount equal to the aggregate amount of Company Expenses (*less* the amount of the MedPOINT Termination Fee), by wire transfer of immediately available U.S. funds, to the account of the Company designated by Seller, and Buyer and Seller shall cause the Company, immediately following receipt of such amount, to pay the Company Expenses to the accounts of the recipients thereof as set forth on the Company Expenses Schedule by wire transfer of immediately available U.S. funds;

(iii) to Seller, a certificate duly executed by an executive officer of each Buyer Entity reasonably satisfactory to Seller (each, a "**Buyer Executive**") certifying that the conditions with respect to Seller's obligations under this Agreement set forth in Sections 8.1 and 8.2 have been satisfied;

(iv) to Seller, a certificate of good standing for each Buyer Entity issued by the California Secretary of State, dated no earlier than ten (10) Business Days prior to the Closing Date;

(v) to Seller, the Escrow Agreement, duly executed by Buyer; and

(vi) to Seller, a receipt duly executed by each Buyer Executive certifying the receipt from Seller of the Shares.

(c) Escrow Agent. Buyer and Seller shall use all Commercially Reasonable Efforts to cause the Escrow Agent to deliver the Escrow Agreement, duly executed by Escrow Agent, to Seller and Buyer, respectively.

(d) Escrow Accounts. Buyer shall deliver to the Escrow Agent:

(i) the Indemnification Escrow Amount (deducted from the Estimated Purchase Price as set forth in Section 2.5(b)(i)) to fund the Indemnification Escrow Account, by wire transfer of immediately available U.S. funds, to an account designated by the Escrow Agent, to be held and distributed pursuant to the terms and conditions of the Escrow Agreement solely to fulfill the requirements set forth in Article X and not with respect to any other obligations or liabilities of any party hereto or for any other reason;

(ii) the Seller Post-Closing Adjustment Escrow Amount (deducted from the Estimated Purchase Price as set forth in Section 2.5(b)(i)) to fund the Seller Post-Closing Adjustment Escrow Account, by wire transfer of immediately available U.S. funds, to an account designated by the Escrow Agent, to be held and distributed pursuant to the terms and conditions of the Escrow Agreement solely to fulfill the requirements set forth in Section 2.3 and Section 2.7 and not with respect to any other obligations or liabilities of any party hereto or for any other reason;

(iii) the amount of the MedPOINT Termination Fee (which is included in Company Expenses) to fund the MedPOINT Escrow Account, by wire transfer of immediately available U.S. funds, to an account designated by the Escrow Agent, to be held and distributed pursuant to the terms and conditions of the Escrow Agreement solely to fulfill the requirements set forth in Section 5.11 and not with respect to any other obligations or liabilities of any party hereto or for any other reason; and

(iv) the Buyer Post-Closing Adjustment Escrow Amount (funded solely by Buyer) to fund the Buyer Post-Closing Adjustment Escrow Account, by wire transfer of immediately available U.S. funds, to an account designated by the Escrow Agent, to be held and distributed pursuant to the terms and conditions of the Escrow Agreement solely to fulfill the requirements set forth in Section 2.3 and Section 2.7 and not with respect to any other obligations or liabilities of any party hereto or for any other reason.

2.6. IEHP Make-Whole Payments. If, from the Closing Date until December 31, 2019, IEHP makes an IEHP Make-Whole Payment to or for the account of the Company, Buyer shall (or shall cause the Company to), within five (5) Business Days of receipt of such IEHP Make-Whole Payment, make a payment to Seller, by wire transfer of immediately available U.S. funds to the Seller Account, of an amount equal to such IEHP Make-Whole Payment, *less* an amount equal to the increase, if any, in the Company's income Tax liability as a result of the receipt of such IEHP Make-Whole Payment, as reasonably calculated by Buyer and as set forth in reasonable detail in a written notice delivered by Buyer to Seller together with such payment. After December 31, 2019 but on or prior to January 17, 2020, Buyer shall deliver to Seller a written certification, reasonably satisfactory to Seller and executed by a senior financial officer of Allied, certifying that Buyer has fully complied with the provisions of this Section 2.6. Notwithstanding the foregoing, in the event that IEHP is legally entitled to return of all or any portion of any amounts paid to Seller pursuant to this Section 2.6, and has demanded in writing to the Company and/or Seller the return of such amount, Seller shall pay IEHP such amount to which IEHP is legally entitled, not to exceed the amount received by Seller pursuant to this Section 2.6.

2.7. Post-Closing Adjustment Payments. Following the Closing, Buyer and Seller shall be entitled to post-Closing adjustment payments in accordance with Sections 2.7(a), 2.7(b) and 2.7(c) and any such post-Closing adjustment payments shall be made in accordance with the procedures set forth in Section 2.7(d).

(a) Health Plan Payments.

(i) During the Post-Closing Adjustment Period, any retroactive adjustment to capitation made by any health plan with respect to any health care Contract in effect at Closing for services rendered by the Company on or prior to the Closing Date, in an amount exceeding $5,000, shall: (A) represent a payment for the benefit of Seller if the adjustment represents additional capitation to the Company or (B) represent a payment for the benefit of Buyer if the adjustment represents a reduction in capitation.

(ii) During the Post-Closing Adjustment Period, any bonus or incentive payments (including those payments covering IEHP P4P incentives, risk pool settlements, HEDIS adjustments, enrollment incentives, and pre-existing kick payments) received from a health plan in recognition of services provided by the Company on or prior to the Closing Date, shall represent a payment for the benefit of Seller; *provided*, *that*, any bonus incentive that is calculated based on a period of time during which Buyer's and Seller's ownership of the Company overlaps shall be prorated based on the ratio of the duration of Seller's ownership of the Company during such period of time relative to the entire duration of such period of time.

(b) IEHP Payments. During the Post-Closing Adjustment Period, all capitation paid by IEHP relating to services rendered by the Company on or prior to the Closing Date with respect to IEHP's Medi-Cal component shall represent a payment for the benefit of Seller.

(c) IBNR Payments.

(i) If IBNR Liabilities reflected in Closing Working Capital in the Final Closing Statement,*less* the actual amount paid during the Post-Closing Adjustment Period with respect to IBNR Liabilities incurred by the Company on or prior to the Closing Date (based on actual claims paid during the Post-Closing Adjustment Period for dates of service occurring on or prior to the Closing Date), (i) is a positive number, then such amount shall represent a payment for the benefit of Seller or (ii) is a negative number, then such amount shall represent a payment for the benefit of Buyer.

(ii) During the Post-Closing Adjustment Period, within five (5) Business Days following the end of each calendar quarter, Buyer will, or will cause the Company to, provide to Seller a report (each, an "**IBNR Report**") summarizing (x) the actual amount paid during such calendar quarter with respect to IBNR Liabilities incurred by the Company on or prior to the Closing Date (based on actual claims paid during such quarter for dates of service occurring on or prior to the Closing Date), and (y) the aggregate amount paid from the Closing Date to the end of the most recent calendar quarter with respect to IBNR Liabilities incurred by the Company on or prior to the Closing Date (based on actual claims paid during such period for dates of service occurring on or prior to the Closing Date). Each IBNR Report shall be accompanied by a certificate executed by a senior financial officer of Allied to the effect that the IBNR Report has been prepared in good faith in accordance with this Section 2.7(c)(ii).

(d) Post-Closing Adjustment Calculation and Payment.

(i) No later than the twentieth (20th) day following the end of the Post-Closing Adjustment Period, Buyer shall deliver to Seller a written statement (the "**Post- Closing Adjustment Statement**") setting forth its good faith calculation, prepared in accordance with GAAP consistent with the Company's past practices, of (x) all payments due pursuant to Sections 2.7(a), 2.7(b) and 2.7(c), determined on a basis consistent with the accounting principles and policies used in the preparation of the Financial Statements, and (y) the net amount due Buyer or Seller, as the case may be, as a result of such payments (the "**Post-Closing Net Adjustment Amount**"). The Post-Closing Adjustment Statement shall be accompanied by a certificate executed by a senior financial officer of Allied to the effect that the Post-Closing Adjustment Statement has been prepared in good faith in accordance with this Section 2.7(d)(i).

(ii) Buyer shall, and shall cause the Company to, reasonably cooperate with Seller and provide to Seller such information as Seller may reasonably request, in each case in connection with Seller's review of the Post-Closing Adjustment Statement, including promptly making available to Seller: (x) a copy of all workpapers, financial information and any other books and records utilized by Buyer in the preparation of the Post-Closing Adjustment Statement, and (y) all personnel (including accounting personnel) of the Company, Buyer and Buyer's Affiliates, and all outside advisors, involved in the preparation of the Post-Closing Adjustment Statement. Seller shall notify Buyer in writing no later than thirty (30) days following Seller's receipt of the Post-Closing Adjustment Statement from Buyer that either: (A) Seller accepts the Post-Closing Adjustment Statement or (B) Seller disputes an item or items reflected on the Post-Closing Adjustment Statement. The failure by Seller to give Buyer such notice within such period shall be deemed to constitute Seller's acceptance of the Post-Closing Adjustment Statement. The parties shall use all Commercially Reasonable Efforts to resolve any such dispute, but if such dispute cannot be resolved by the parties within thirty (30) days after Seller gives notice of such dispute, it shall be referred to the Selected Accountants. The determination of the Selected Accountants regarding such dispute, which shall be made as expeditiously as reasonably possible, shall be conclusive and binding on each party. In rendering its final determination regarding such dispute, the Selected Accountants shall deliver to each of Buyer and Seller a written statement (the "**Selected Accountants Post-Closing Statement**") setting forth its good faith calculation, prepared in accordance with GAAP consistent with the Company's past practices, of (1) all payments due pursuant to Sections 2.7(a), 2.7(b) and 2.7(c), incorporating its final determination regarding such dispute and determined on a basis consistent with the accounting principles and policies used in the preparation of the Financial Statements, and (2) the Post-Closing Net Adjustment Amount (and whether such amount is due Buyer or Seller), incorporating the payments reflected in clause (1) as set forth in the Selected Accountants Post-Closing Statement. One-half of the fees of the Selected Accountants shall be borne by Buyer and one-half shall be borne by Seller.

(iii) If the Post-Closing Net Adjustment Amount as finally determined pursuant to this Section 2.7(d) is due Seller, Buyer and Seller shall promptly, and in no event later than two (2) Business Days following such final determination, provide the Escrow Agent with joint written instructions to deliver to Seller from the Buyer Post-Closing Adjustment Escrow Account an amount equal to the lesser of the Post-Closing Net Adjustment Amount and the aggregate amount remaining in the Buyer Post-Closing Adjustment Escrow Account, by wire transfer in immediately available U.S. funds drawn from the Buyer Post-Closing Adjustment Escrow Account, to the Seller Account. If such amount is less than the Post-Closing Net Adjustment Amount due Seller, then Buyer shall concurrently pay to Seller an amount equal to such difference, by wire transfer of immediately available U.S. funds, to the Seller Account. The Escrow Agreement shall provide that on the Business Day following the release of all funds due Seller pursuant to this Section 2.7(d)(iii), the Escrow Agent shall deliver to Buyer, and Buyer and Seller shall take all action necessary to cause the Escrow Agent to deliver to Buyer, all funds remaining in the Buyer Post-Closing Adjustment Escrow Account, by wire transfer in immediately available U.S. funds, to the Buyer Account. No later than the second (2nd) Business Day following the exhaustion of all funds from the Buyer Post-Closing Adjustment Escrow Account, Buyer and Seller shall provide the Escrow Agent with joint written instructions to terminate the Buyer Post- Closing Adjustment Escrow Account. All fees, costs and expenses of the Escrow Agent in connection with the Buyer Post-Closing Adjustment Escrow Account shall be split evenly by Buyer and Seller.

(iv) If the Post-Closing Net Adjustment Amount as finally determined pursuant to this Section 2.7(d) is due Buyer, Buyer and Seller shall promptly, and in no event later than two (2) Business Days following such final determination, provide the Escrow Agent with joint written instructions to deliver to Buyer from the Seller Post-Closing Adjustment Escrow Account an amount equal to the lesser of the Post-Closing Net Adjustment Amount and the aggregate amount remaining in the Seller Post-Closing Adjustment Escrow Account, by wire transfer in immediately available U.S. funds drawn from the Seller Post-Closing Adjustment Escrow Account, to the Buyer Account. If such amount is less than the Post-Closing Net Adjustment Amount due Buyer, then Seller shall concurrently pay to Buyer an amount equal to such difference, by wire transfer of immediately available U.S. funds, to the Buyer Account. The Escrow Agreement shall provide that on the Business Day following the release of all funds due Buyer pursuant to this Section 2.7(d)(iv), the Escrow Agent shall deliver to Seller, and Buyer and Seller shall take all action necessary to cause the Escrow Agent to deliver to Seller, all funds remaining in the Seller Post-Closing Adjustment Escrow Account, by wire transfer in immediately available U.S. funds, to the Seller Account. No later than the second (2nd) Business Day following the exhaustion of all funds from the Seller Post-Closing Adjustment Escrow Account, Buyer and Seller shall provide the Escrow Agent with joint written instructions to terminate the Seller Post- Closing Adjustment Escrow Account. All fees, costs and expenses of the Escrow Agent in connection with the Seller Post-Closing Adjustment Escrow Account shall be split evenly by Buyer and Seller.

2.8. Further Assurances. Following the Closing, each of the parties hereto shall, and shall cause their respective Affiliates to, execute and deliver such additional documents, instruments, conveyances and assurances, and take such further actions, as may be reasonably required to carry out the provisions hereof and give effect to the Share Purchase and the other transactions contemplated by this Agreement.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER

Each representation and warranty contained in this ARTICLE III is qualified by the disclosures made in the Disclosure Schedules, and information provided in any Section of the Disclosure Schedules shall constitute disclosure for purposes of each Section of this Agreement. Except with respect to matters set forth in the Disclosure Schedules, Seller hereby represents and warrants to Buyer, as of the Execution Date, as follows:

3.1. Organization and Good Standing. The Company is a corporation (a) duly incorporated, validly existing and in good standing under the Laws of California, (b) has the requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now conducted, and (c) is duly qualified and in good standing to transact business in each U.S. jurisdiction in which the ownership or leasing of its properties or the conduct of its business makes such qualification necessary, except where failures to be so qualified and in good standing would not, individually or in the aggregate, have a Material Adverse Effect.

3.2. Authority and Enforceability. Seller has all requisite power and authority to execute and deliver this Agreement, to perform his obligations hereunder, and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by Seller and, assuming due authorization, execution and delivery by Buyer, constitutes a valid and binding obligation of Seller, enforceable against Seller in accordance with its terms and conditions, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent transfer, preference, moratorium or other similar Laws now or hereafter in effect relating to or affecting creditors generally or by general equity principles (regardless of whether such enforceability is considered in a Proceeding in equity or at law) and except that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any Proceeding may be brought.

3.3. Non-Contravention. The execution and delivery of this Agreement by Seller do not, and Seller's performance hereunder and the consummation of the transactions contemplated hereby will not, (a) violate any provision of the articles of incorporation or bylaws of the Company, (b) violate or constitute a breach of or default under (with notice or lapse of time, or both), or permit termination, modification or acceleration under, any Major Contract, except where such violations, breaches, defaults, terminations, modifications and accelerations would not, individually or in the aggregate, have a Material Adverse Effect, (c) violate any Law or Order of any Governmental Authority applicable to the Company, except where such violations would not, individually or in the aggregate, have a Material Adverse Effect, or (d) result in the cancellation, modification, revocation or suspension of any Governmental Approval granted to the Company, except where such cancellations, modifications, revocations and suspensions would not, individually or in the aggregate, have a Material Adverse Effect.

3.4. Consents. The execution and delivery by Seller of this Agreement, Seller's performance hereunder, and the consummation of the transactions contemplated hereby do not require any Consent under any Major Contract or any Governmental Approval, except where the failure to obtain any such Governmental Approval would not, individually or in the aggregate, have a Material Adverse Effect.

3.5. Ownership of Shares. Seller is the owner, free and clear of all Liens, of all right, title and interest in and to the Shares. The delivery to APC-LSMA of the Shares, upon the terms and subject to the conditions set forth in this Agreement, shall transfer to APC-LSMA valid title to all such Shares, free and clear of any Liens. Seller is not a party to any option, warrant, right, contract, call, put or other agreement or commitment providing for the disposition or acquisition of any Shares in the Company, nor is Seller a party to any voting trust, proxy or other agreement or understanding with respect to the voting of any Shares.

3.6. Capitalization; Subsidiaries. The Company has an authorized capitalization consisting of 1,000,000 shares of Common Stock, of which 1,000 shares of Common Stock are issued and outstanding. There are no other classes of Shares authorized or outstanding. All issued and outstanding Shares of the Company are duly authorized, validly issued, fully paid and non- assessable and free of any preemptive rights in respect thereto. There are no outstanding: (a) securities convertible into Shares in the Company; (b) stock appreciation, phantom stock, profit participation, options, warrants or other rights to purchase or subscribe to Shares in the Company or securities convertible into or exchangeable for Shares in the Company; or (c) contracts, commitments, agreements, understandings, arrangements, calls or claims relating to the issuance of any Shares in the Company, any such convertible or exchangeable securities or any such options, warrants or right, including (i) any authorized or outstanding bonds, debentures, notes or other indebtedness the holders of which have the right to vote (or are convertible into, exchangeable for or evidencing the right to subscribe for or acquire securities having the right to vote) with Seller on any matter or (ii) any Contracts to which the Company is a party or by which it is bound to (x) repurchase, redeem or otherwise acquire any Shares of the Company or (y) vote or dispose of any Shares of the Company. No Person has any right of first offer, right of first refusal or preemptive right in connection with any future offer, sale or issuance of Shares of the Company. The Shares being acquired by APC-LSMA pursuant hereto represent, in the aggregate, one hundred percent (100%) of the issued and outstanding Shares of the Company. The issued and outstanding Shares of the Company are held of record under Seller's name. The Company has no subsidiaries.

3.7. Financial Statements. Attached to Section 3.7 of the Disclosure Schedules are the following financial statements (collectively, including the notes contained therein, the "**Financial Statements**"): the audited balance sheet of the Company as of December 31, 2018 (the "**Balance Sheet Date**") and the related audited statements of income and cash flows for the Company for the fiscal year ended December 31, 2018. Other than as set forth on Section 3.7 of the Disclosure Schedules, the Financial Statements have been prepared in accordance with GAAP applied on a consistent basis during the periods referred to in the Financial Statements, and fairly present, in all material respects, the financial condition of the Company as at the respective dates referred to in the Financial Statements, and the results of operations and cash flows of the Company for the respective periods referred to in the Financial Statements.

3.8. Absence of Certain Changes or Events. Except as otherwise contemplated, required or permitted by this Agreement, from the Balance Sheet Date until the Execution Date, (a) the business of the Company has been conducted in the Ordinary Course of Business, (b) the Company has not taken any of the action that, if taken after the Execution Date, would constitute a violation of Section 5.3(b), and (c) there has not occurred a Material Adverse Effect.

3.9. Undisclosed Liabilities. The Company does not have any liabilities or obligations required to be reflected or reserved against on a balance sheet prepared in accordance with GAAP, except for (a) liabilities reflected or reserved against in the Financial Statements, (b) liabilities that have arisen after the Balance Sheet Date in the Ordinary Course of Business, (c) liabilities disclosed in this Agreement or in the Disclosure Schedules, (d) liabilities contemplated or permitted by, or incurred pursuant to, this Agreement, and (e) other liabilities that would not, individually or in the aggregate, have a Material Adverse Effect.

3.10. Major Contracts.

(a) The Disclosure Schedules sets forth each of the following Contracts to which the Company is a party and that is in effect as of the Execution Date (such Contracts, the "**Major Contracts**"):

(i) any Contract the performance of which by its express terms, without taking into consideration options or similar renewals (whether automatic or elective), will involve annual expenditures or receipts by the Company in excess of $200,000;

(ii) any Contract for the incurrence of indebtedness for borrowed money;

(iii) any Contract that by its terms prohibits or materially restricts the Company from undertaking any line of business or competing in any geographic area;

(iv) any Contract that provides for the purchase, sale or lease of real property or any option to purchase or sell real property;

(v) any Contract that grants to any Person an option or other right to purchase any right, property or assets of the Company;

(vi) any Contract that by its terms prohibits or materially restricts the sale or other disposition by the Company of any material property or assets;

(vii) any Contract involving a joint venture or partnership or involving the sharing of profits, losses, costs or liability by the Company with any other Person;

(viii) any Contract involving management services, consulting services, support services or any other similar services;

(ix) any Contract involving the acquisition of any business enterprise whether via stock or asset purchase or otherwise;

(x) any Contract that provides for the employment or compensation of any Employee; and

(xi) any Contract with a health plan or third party payor.

(b) Seller has made available to Buyer copies of all Major Contracts that are true and complete in all material respects, in each case subject to any confidentiality obligations to third parties and any restrictions on disclosure required by such third parties.

(c) Except for any Major Contract that has expired in accordance with its terms or terminated for any reason other than a default by the Company, each Major Contract is in full force and effect in all material respects (except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent transfer, preference, moratorium or other similar Laws now or hereafter in effect relating to or affecting creditors generally or by general equity principles (regardless of whether such enforceability is considered in a Proceeding in equity or at law) and except that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any Proceeding may be brought). The Company is not in breach thereof or default thereunder, which breach or default has not been excused or waived, and, to the Knowledge of Seller, no counterparty to any Major Contract is in breach thereof or default thereunder, except where such breaches or defaults would not, individually or in the aggregate, have a Material Adverse Effect.

3.11. Litigation. There is no Proceeding, at law or in equity, pending against or, to the Knowledge of Seller, threatened against or affecting the Company, nor is there any Order of any Governmental Authority or arbitrator outstanding against the Company, in each case the adverse outcome or effect of which would, individually or in the aggregate, have a Material Adverse Effect.

3.12. Compliance with Laws.

(a) The Company is, and at all times during the three (3) years prior to the Execution Date, has been, in compliance in all respects with all applicable Laws and Orders of Governmental Authorities and Governmental Approvals, except where failures to so comply would not, individually or in the aggregate, have a Material Adverse Effect.

(b) To the Knowledge of Seller, (i) the health care practitioners or facilities with which the Company contracts for fees for the benefit of its customers (each, a "**Provider**") have been properly credentialed in all material respects, and (ii) the Company has received no written notice from any state or federal program or any health maintenance organizations or other third party reimbursement or payment program (the "**Payment Programs**") to terminate any such Provider as a result of such Provider having been suspended or terminated from any such Payment Program.

(c) The Company has developed and implemented reasonable and appropriate administrative, technical, and physical safeguards, including policies, procedures, and training programs, designed to protect against reasonably anticipated threats or hazards to the security or integrity of electronic protected health information (as such term is defined in 45 C.F.R. 160.103) to ensure compliance with the Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. § 1320d et seq.), as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 and any implementing regulations promulgated thereunder (collectively, "**HIPAA**"), and other applicable Laws which protect or regulate the privacy, security, integrity, accuracy, transmission, storage or disclosure of individual medical records which it generates, receives or maintains, and has trained officers, employees, contractors, and other staff members to oversee and participate in the functioning of such compliance plan as required by HIPAA and other applicable Laws, except where failures to so comply would not, individually or in the aggregate, have a Material Adverse Effect.

(d) To the Knowledge of Seller, the Company has not violated any applicable condition of participation in any federal or state payment program with which the Company has contracted, and the Company has been in compliance in all material respects with all other applicable Health Care Laws (excluding from Health Care Laws for purposes of this sentence conditions of participation), orders, policies, standards and manuals or other interpretations promulgated by federal or state healthcare program contracting agencies applicable to its business, properties, rights or assets, except where such violations or failures to so comply would not, individually or in the aggregate, have a Material Adverse Effect.

(e) Neither Seller nor the Company has received written notice from any Governmental Authority alleging, and, to the Knowledge of Seller, no investigation or review of the Company by any Governmental Authority is pending or threatened with respect to, any material violation during the past three (3) years of any applicable Law. The Company has heretofore made available to Buyer complete and correct copies of all written notices received by the Company from any Governmental Authority alleging any material violation under any applicable Law that the Company has received during the past three (3) years.

(f) To the Knowledge of Seller, neither the Company nor any Person acting at the Company's direction, has (i) made, paid or received any unlawful bribes, kickbacks or other similar payments to or from any Person, (ii) made or paid any contributions, directly or indirectly, to a domestic or foreign political party or candidate, or (iii) otherwise made or paid any improper foreign payment (as defined in the U.S. Foreign Corrupt Practices Act of 1977, as amended) or violated the U.S. Foreign Corrupt Practices Act of 1977, as amended.

(g) To the Knowledge of Seller, the Company is, and during the past three (3) years has been, in material compliance with all applicable Health Care Laws. Without limiting the generality of the foregoing, during the past three (3) years, to the Knowledge of Seller, no equityholder, director, officer, employee, agent or consultant of the Company: (i) has been assessed a civil monetary penalty under Section 1128A of the Social Security Act or any regulations promulgated thereunder; (ii) has been debarred, excluded or suspended from participating in any federal or state health care program (as such terms are defined by the Social Security Act) or from receiving a contract or subcontract paid in whole or in part by federal or state funds; (iii) is or has been a party to a corporate integrity agreement, corporate compliance agreement or other settlement agreement with the Office of the Inspector General of the United States Department of Health and Human Services, the Centers for Medicare & Medicaid Services, the United States Department of Justice, any Medicaid Fraud Control Unit, or any state Attorney General, as a result of an alleged violation of any Health Care Law; (iv) has been convicted of any criminal offense under any Health Care Law; (v) is or has been a party to litigation concerning any of the matters described in clauses (i) through (iv) above; or (vi) is and has not been identified on any "watch list" maintained by any federal Governmental Authority, including under the USA Patriot Act or by the Office of Foreign Assets Control.

(h) To the Knowledge of Seller, the Company has not been required or obligated to notify any Governmental Authority within the past three (3) years of any breach of security involving, or unauthorized misappropriation, access or use of, any personally identifiable information, personal information or personal data.

3.13. Licenses. The Company possesses all Governmental Approvals necessary to carry on its business in the manner presently conducted, except where failures to possess such Governmental Approvals would not, individually or in the aggregate, have a Material Adverse Effect.

3.14. Real Property.

(a) The Company owns no Real Property.

(b) Section 3.14(b) of the Disclosure Schedules sets forth a true and complete list of: (i) the address of each parcel of Leased Real Property, (ii) the current lessor of each parcel of Leased Real Property, and (iii) all leases and subleases for each such parcel of Leased Real Property (collectively, the "**Leases**").

3.15. Taxes.

(a) (i) All Tax Returns showing material Taxes to be due and payable that were required to be filed on or before the Execution Date by or on behalf of the Company have been filed (or extensions have been duly obtained), (ii) all such Tax Returns were correct and complete in all material respects when filed, (iii) all material Taxes shown to be due and payable on such Tax Returns have been paid, and (iv) there are no material Liens, except for Permitted Encumbrances, for Taxes upon any of the assets of the Company.

(b) All material Taxes that the Company has been required to collect or withhold have been duly collected or withheld and, to the extent required, have been duly paid to the proper Tax Authority.

(c) No material deficiencies for Taxes of the Company have been claimed, proposed or assessed in writing by any Tax Authority. There is no pending or, to the Knowledge of Seller, threatened Proceeding concerning any Tax liability against the Company by any Tax Authority in writing, which Proceeding would result in the payment by the Company of material Taxes.

(d) The Company has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(e) The Company is not a party to any Tax allocation or sharing agreement, other than any such agreements included in contracts entered into in the Ordinary Course of Business and not primarily relating to Taxes.

(f) The representations and warranties made in this Section 3.15 refer only to the past activities of the Company and are not intended to serve as representations or warranties regarding, or a guarantee of, nor can they be relied upon with respect to, Taxes attributable to any Tax Period (or portion thereof) beginning after or any Tax position taken after, the Closing Date.

3.16. Employee Benefits.

(a) Section 3.16(a) of the Disclosure Schedules sets forth a true and complete list of each Employee Benefit Plan maintained by, or on behalf of, the Company. Seller has made available to Buyer copies of each such Employee Benefit Plan, including all amendments thereto.

(b) To the Knowledge of Seller, there are no pending investigations by any Governmental Authority involving any such Employee Benefit Plan. There are no pending claims (except for claims for benefits payable in the normal operations of any such Employee Benefit Plan) or Proceedings, at law or in equity, against any such Employee Benefit Plan asserting any rights or claims to benefits under any such Employee Benefit Plan, in each case the adverse outcome of which would, individually or in the aggregate, have a Material Adverse Effect.

(c) Each such Employee Benefit Plans has been maintained, operated and administered in all material respects in accordance with its terms and all applicable Laws. All contributions, reserves or premium payments required to be made or accrued as of the date hereof with respect to the Benefit Plans have been timely paid or accrued by the Company. The Company has satisfied all material reporting and disclosure requirements under the Code and ERISA that are applicable to the Benefit Plans.

(d) There have been no "prohibited transactions" (within the meaning of Section 406 of ERISA or Section 4975 of the Code) with respect to any Benefit Plan, other than any such transactions that are covered by a statutory or administrative exemption.

(e) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (i) entitle any person to any payment, forgiveness of indebtedness, vesting, distribution, or increase in benefits under or with respect to any Benefit Plan, or (ii) result in, cause the accelerated vesting, funding or delivery of, or increase the amount or value of, any payment or benefit to any Employee under any such Employee Benefit Plan.

3.17. Labor Matters.

(a) There are no collective bargaining agreements or other labor union Contracts applicable to the Employees.

(b) The Company has complied with all Laws relating to the employment of labor at all times during the two (2) year prior to the Execution Date, except where failures to so comply would not, individually or in the aggregate, have a Material Adverse Effect.

(c) There are no pending or, to the Knowledge of Seller, threatened strikes, work stoppages, slowdowns or lockouts against the Company by any Employees, and there are no pending unfair labor practice charges, grievances or complaints filed or, to the Knowledge of Seller, threatened to be filed with any Governmental Authority based on employment or termination of employment of any individual by the Company.

(d) To the Knowledge of Seller, no Employee has an ongoing workers' compensation claim.

3.18. Environmental Matters.

(a) To the Knowledge of Seller, the Company is in compliance with all applicable Environmental Laws.

(b) To the Knowledge of Seller, no Hazardous Substances have been released into the environment in violation of any applicable Environmental Laws, or in quantities exceeding the reportable quantities as defined under Environmental Laws, at any Leased Real Property as a result of the acts of the Company.

(c) The Company has not received during the two (2) years prior to the Execution Date any written notice of any actual or alleged material violation of any Environmental Laws, or any material liabilities or potential material liabilities, including any investigatory, remedial or corrective obligations, relating to the Company Business.

3.19. Insurance. Section 3.19 of the Disclosure Schedules contains an accurate and complete list of all material policies of fire, liability, workers' compensation, property, casualty, business interruption, D&O, E&O, cyber and data privacy, and other forms of insurance owned or held by the Company as of the date hereof. All such policies are in full force and effect as of the Execution Date and will continue in effect until the Closing (or if such policies are canceled or lapse prior to the Closing, renewals or replacements thereof will be entered into in the Ordinary Course of Business to the extent available on commercially reasonable terms). As of the Execution Date, (a) no notice of cancellation or termination has been received by the Company with respect to any such policy and (b) the Company is not in material breach or material default (including any such breach or default with respect to the payment of premiums or the giving of notice of claims), and, to the Knowledge of Seller, no event has occurred which, with notice or the lapse of time or both, would constitute such a material breach or material default, or permit termination or modification, under any such policy.

3.20. Related Party Transactions. There is no material indebtedness (in excess of $10,000 in the aggregate) owed by the Company to Seller or any individual related by blood, marriage or adoption to Seller. Neither Seller, nor any individual related by blood, marriage or adoption to Seller, (a) is a party to any agreement, contract or transaction with the Company, or (b) has any interest in any property used by the Company (including any proprietary or intellectual property rights), other than in his or her capacity as a shareholder, director, officer or employee of the Company and/or CMC.

3.21. Brokers and Finders. Except for Moelis & Company LLC, whose fees shall be paid by Seller, no agent, broker, investment banker, intermediary, finder or firm acting on behalf of the Company is or will be entitled to any broker's or finder's fee or any other commission or similar fee, directly or indirectly, from the Company in connection with the execution and delivery of this Agreement, Seller's performance hereunder, or the consummation of the transactions contemplated hereby.

3.22. Disclaimer of Other Representations and Warranties. Except as expressly set forth in thisARTICLE III, none of Seller, the Company, nor any other Person has made or makes any representation or warranty, express or implied, either written or oral, at law or in equity, in respect of Seller or the Company or the Company's assets, liabilities or operations, including with respect to the accuracy or completeness of any information regarding the Company furnished or made available to Buyer and its agent and representatives.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer, jointly and severally, hereby represents and warrants to Seller, as of the Execution Date, as follows:

4.1. Organization and Good Standing. Each Buyer Entity is a corporation (a) duly incorporated, validly existing and in good standing under the Laws of California, (b) has the requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now conducted, and (c) is duly qualified and in good standing to transact business in each U.S. jurisdiction in which the ownership or leasing of its properties or the conduct of its business makes such qualification necessary, except where failures to be so qualified and in good standing would not, individually or in the aggregate, prohibit, restrict or delay, in any material respect, the performance by Buyer of Buyer's obligations hereunder or the consummation of the transactions contemplated hereby.

4.2. Authority and Enforceability. Each Buyer Entity has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder, and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by each Buyer Entity, its performance hereunder, and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of such Buyer Entity. This Agreement has been duly executed and delivered by each Buyer Entity and, assuming due authorization, execution and delivery by Seller, constitutes a valid and binding obligation of each Buyer Entity, enforceable against each such Buyer Entity in accordance with its terms and conditions, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent transfer, preference, moratorium or other similar Laws now or hereafter in effect relating to or affecting creditors generally or by general equity principles (regardless of whether such enforceability is considered in a Proceeding in equity or at law) and except that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any Proceeding may be brought.

4.3. Non-Contravention. The execution and delivery of this Agreement by each Buyer Entity does not, and each Buyer Entity's performance hereunder and the consummation of the transactions contemplated hereby will not, (a) violate any provision of the articles of incorporation or bylaws of either Buyer Entity, (b) violate or constitute a breach of or default under (with notice or lapse of time, or both), or permit termination, modification or acceleration under, any Contract to which either Buyer Entity is party or by which either of Buyer Entity's assets are bound, except where such violations, breaches, defaults, terminations, modifications and accelerations would not, individually or in the aggregate, prohibit, restrict or delay, in any material respect, the performance by Buyer of Buyer's obligations under this Agreement or the consummation of the transactions contemplated hereby, (c) violate any Law or Order of any Governmental Authority applicable to either Buyer Entity, except where such violations would not, individually or in the aggregate, prohibit, restrict or delay, in any material respect, the performance by Buyer of Buyer's obligations under this Agreement or the consummation of the transactions contemplated hereby, or (d) result in the cancellation, modification, revocation or suspension of any Governmental Approval granted to either Buyer Entity, except where such cancellations, modifications, revocations and suspensions would not, individually or in the aggregate, prohibit, restrict or delay, in any material respect, the performance by Buyer of Buyer's obligations under this Agreement or the consummation of the transactions contemplated hereby.

4.4. Consents. The execution and delivery by each Buyer Entity of this Agreement, each Buyer Entity's performance hereunder, and the consummation of the transactions contemplated hereby do not require any Consent under any Contract to which either Buyer Entity is a party or by which either of Buyer Entity's assets are bound or any Governmental Approval, except where the failure to obtain any such Governmental Approval would not, individually or in the aggregate, prohibit, restrict or delay, in any material respect, the performance by Buyer of Buyer's obligations under this Agreement or the consummation of the transactions contemplated hereby.

4.5. Litigation. There is no Proceeding, at law or in equity, pending against or, to the Knowledge of Buyer, threatened against or affecting either Buyer Entity, nor is there any Order of any Governmental Authority or arbitrator outstanding against either Buyer Entity, in each case the adverse outcome or effect of which would, individually or in the aggregate, prohibit, restrict or delay, in any material respect, the performance by Buyer of Buyer's obligations under this Agreement or the consummation of the transactions contemplated hereby.

4.6. Financial Capability. Buyer currently has, and at all times prior to the Closing will have, sufficient immediately available U.S. funds to enable Buyer to make payment of the aggregate amount of the Purchase Price, Company Expenses and the Buyer Post-Closing Adjustment Escrow Amount in full, to permit Buyer to perform in a timely manner all of its obligations under this Agreement and to consummate the transactions contemplated by this Agreement. Buyer's ability to consummate the transactions contemplated by this Agreement is not contingent upon its ability to obtain any financing whatsoever, including from any parent entity or from any third party financing sources.

4.7. Solvency. Immediately after giving effect to the transactions contemplated by this Agreement and excluding the effect of any inaccuracy of the representations and warranties contained in ARTICLE III: (a) each Buyer Entity has not incurred debts beyond its ability to pay such debts as they mature or become due and the then present fair salable value of the assets of such Buyer Entity shall exceed the amount that will be required to pay its respective probable liabilities (including the probable amount of all contingent liabilities) and its respective debts as they become absolute and matured, (b) the assets of each Buyer Entity, at a fair valuation, shall exceed its respective debts (including the probable amount of all contingent liabilities), and (c) each Buyer Entity shall not have unreasonably small capital to carry on its business as presently conducted or as proposed to be conducted. No transfer of property is being made and no obligation is being incurred in connection with any of the transactions contemplated hereby with the intent to hinder, delay or defraud present or future creditors of either Buyer Entity or any of its Affiliates.

4.8. Independent Investigation; Investment Intent. Buyer has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its participation in the transactions contemplated by this Agreement. Buyer has undertaken such investigation, and has been provided with and has evaluated such documents and information, as it has deemed necessary to enable it to make an informed and intelligent decision with respect to the execution, delivery and performance of this Agreement and the transactions contemplated hereby. Buyer has received all materials relating to the business of the Company which it has deemed necessary for its evaluation of the transactions contemplated hereby. Buyer expressly confirms that (a) Seller and the Company has given Buyer such access to the key employees, documents and facilities of the Company as Buyer, in its sole discretion, has determined to be necessary or desirable for purposes of Buyer's evaluation, negotiation and implementation of the transactions contemplated hereby, and (b) Seller, the Company and the Company's representatives have answered to Buyer's full and complete satisfaction all inquiries that Buyer and its representatives have made concerning the business of the Company or otherwise relating to the transactions contemplated hereby. Buyer is acquiring the Shares for investment purposes only and not with a view toward, or for sale in connection with, any distribution thereof or with any present intention of distributing or selling the Shares. Buyer understands and agrees that the Shares may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of without registration under the Securities Act of 1933, as amended, except pursuant to an exemption from such registration available thereunder, and without compliance with other state, local and non-US securities laws, in each case, to the extent applicable.

4.9. Brokers and Finders. No agent, broker, investment banker, intermediary, finder or firm acting on behalf of either Buyer Entity is or will be entitled to any broker's or finder's fee or any other commission or similar fee, directly or indirectly, from Buyer in connection with the execution and delivery of this Agreement, Buyer's performance hereunder, or the consummation of the transactions contemplated hereby.

4.10. Disclaimer of Other Representations and Warranties. Except as expressly set forth in thisARTICLE IV, Buyer has not made or does not make any representation or warranty, express or implied, either written or oral, at law or in equity, in respect of Buyer or Buyer's assets, liabilities or operations, including with respect to the accuracy or completeness of any information regarding Buyer furnished or made available to Seller and its agents and representatives.

ARTICLE V
COVENANTS

5.1. Cooperation. Each of Buyer and Seller shall use its reasonable best efforts to consummate the transactions contemplated by this Agreement as soon as practicable following the Execution Date (including satisfaction, but not waiver of, the conditions to Closing set forth in ARTICLE VII and ARTICLE VIII). Each of Buyer and Seller shall cooperate with one another, and use all reasonable best efforts, to (a) procure all Consents and Governmental Approvals, complete and file all applications, notifications, filings and certifications, and satisfy all requirements prescribed by Law, in each case as necessary to consummate the transactions contemplated hereby, and (b) effect the other transactions contemplated by this Agreement at the earliest practicable date consistent with the terms hereof. Between the Execution Date and the Closing Date, Seller shall use Commercially Reasonable Efforts to facilitate meetings between Buyer and IEHP and between Buyer and primary care physicians under contract with the Company, in each case as may be requested from time to time by Buyer with reasonable advance notice to Seller, it being understood that in no event shall any such meetings be deemed a condition to Closing.

5 . 2 . Access. Between the Execution Date and the Closing Date, Seller shall cause the Company to afford the employees and authorized agents and representatives of Buyer, at Buyer's sole expense, and under the supervision of the Company's personnel, reasonable access, during normal business hours, to the personnel, premises, properties, books and records, and financial, operating and other data of the Company as Buyer may reasonably request upon reasonable advance notice to Seller; *provided*, *that*, Seller shall not be required to cause the Company to take any action that would unreasonably disrupt the Company's ordinary course operations. The foregoing shall not require Seller to cause the Company to permit any inspection, or to disclose any information, that in Seller's reasonable judgment may result in the waiver of any attorney-client privilege, the disclosure of any protected intellectual property of any third party, or the violation of any of its or the Company's obligations with respect to confidentiality. All requests for information made pursuant to this Section 5.2 shall be directed by Buyer to Moelis & Company LLC or an officer of the Company as may be designated from time to time by Seller to receive such requests. Buyer is expressly not permitted to make such requests directly to the Company, including any of the Company's employees, without Seller's express consent. In addition, Buyer is expressly not permitted to make contact directly with third parties that have contractual or other business relationships with the Company regarding the transactions contemplated by this Agreement without Seller's express consent.

5.3. Conduct of Business. From the Execution Date to the earlier of the Closing Date and the termination of this Agreement, except (i) as otherwise contemplated, required or permitted by this Agreement, (ii) as may be required by applicable Law, (iii) as required by a Governmental Authority of competent jurisdiction, and (iv) to the extent Buyer shall otherwise consent in writing (which consent shall not be unreasonably withheld, delayed or conditioned), Seller agrees as to itself and the Company that:

(a) Seller shall cause the Company to carry on the Company Business in the Ordinary Course of Business in all material respects and use all Commercially Reasonable Efforts to preserve intact the Company's business organization and relationships with customers, suppliers and others having material business relationships with it; *provided*, *however*, that no action by the Company with respect to matters specifically addressed by any provision of Section 5.3(b) shall be deemed a breach of this Section 5.3(a) unless such action would constitute a breach of one or more of the provisions of Section 5.3(b).

(b) Seller shall cause the Company not to take any of the following actions:

(i) amend the Company's articles of incorporation or bylaws;

(ii) issue, sell or otherwise dispose of any of its Shares, or grant of any options, warrants or other rights to purchase or obtain (including upon conversion, exchange or exercise) any of its Shares;

(iii) engage in any recapitalization, reclassification, stock split or like change in its capitalization;

(iv) incur any indebtedness for borrowed money, except unsecured current obligations and liabilities incurred in the Ordinary Course of Business;

(v) purchase or sell any assets, except in the Ordinary Course of Business;

(vi) acquire by merger, or by purchase of a substantial portion of the assets or stock of, any Person;

(vii) enter into any Major Contract, or waive any material right under, or enter into a material amendment of, any existing Major Contract, except in the Ordinary Course of Business;

(viii) except in the Ordinary Course of Business, increase in any material respect the compensation of the Employees, taken as a whole, or enter into, amend or terminate in any material respect any Employee Benefit Plan or employment agreement, in either case with respect to any Employee (other than awarding a sale bonus to an Employee in connection with the transactions contemplated by this Agreement, so long as any such sale bonus is included in "Company Expenses");

(ix) adopt any material change in any method of accounting or accounting practice of the Company, except as required by GAAP or applicable Law or as disclosed in the notes to the Financial Statements; or

(x) enter into any agreement to do any of the foregoing.

(c) For the avoidance of doubt, nothing in this Section 5.3 shall prohibit or restrict in any manner the distribution of cash and cash equivalents from the Company to Seller prior to the Closing.

5.4. Alternative Transactions. Seller agrees that (a) from the Execution Date to the earlier of the Closing Date or the termination of this Agreement, Seller shall not seek or encourage any inquiry, proposal or offer from, participate in any discussions or negotiations with, or furnish or provide any information to, any Person, other than Buyer or its Affiliates or their respective officers, employees, agents and representatives, relating to an Alternative Transaction, and (b) Seller shall, and each shall cause his representatives, directors, officers, agents and employees to, immediately terminate all such discussions or negotiations that may be in progress as of the Execution Date. For the avoidance of doubt, any communication by Seller, or any of his representatives, directors, officers, agents and employees, to any Person solely for the purpose of declining or otherwise terminating any such discussions or negotiations shall not be deemed a violation of this Section 5.4.

5.5. Supplement to Disclosure Schedules. From time to time up to and including the date that is five (5) Business Days prior to the Closing, Seller may supplement or amend the Disclosure Schedules hereto with respect to any matter arising hereafter or of which Seller becomes aware after the Execution Date (each, a "**Schedule Supplement**"). Any disclosure in any such Schedule Supplement shall not be deemed to have cured any inaccuracy in or breach of any representation or warranty contained in this Agreement, including for purposes of the indemnification or termination rights contained in this Agreement or of determining whether or not the conditions set forth in ARTICLE VII have been satisfied; *provided*, *however*, if Buyer has the right to, but does not elect to, terminate this Agreement within five (5) Business Days of its receipt of such Schedule Supplement, then Buyer shall be deemed to have irrevocably waived any right to terminate this Agreement with respect to any matter reflected on such Schedule Supplement and, further, shall have irrevocably waived its right to indemnification under Section 10.2(a) with respect to any such matter.

5.6. Publicity. Any public announcement, whether by press release or otherwise, with respect to this Agreement or the transactions contemplated hereby, including the existence, subject matter or terms and conditions of this Agreement, shall be mutually approved by Buyer and Seller, except to the extent otherwise required by applicable Law.

5.7. Directors' and Officers' Indemnification and Insurance; Tail/Run-Off Insurance . For a period of not less than six (6) years from the Closing Date, Buyer shall use its Commercially Reasonable Efforts to cause the Company to exculpate, indemnify, advance expenses to and hold harmless all of its past and present directors, officers, employees and agents for any acts or omissions occurring at or prior to the Closing in accordance with the Company's articles of incorporation or bylaws in effect as of the Execution Date. In the event that any claim for indemnification or advancement of expenses is asserted or made within such six (6) year period, all rights to indemnification and advancement of expenses in accordance with the Company's articles of incorporation or bylaws in effect as of the Execution Date shall continue until such claim is disposed of or all Orders of any Governmental Authorities in connection with such claim are fully satisfied. Following the Closing, Buyer shall cause the Company to continue to maintain in effect directors' and officers' liability insurance policies and fiduciary liability insurance policies (collectively, "**D&O Insurance**") for a period of at least six (6) years from and after the Closing Date for the persons who are covered by the Company's existing D&O Insurance, with terms, conditions, retentions and levels of coverage at least as protective to such covered persons as provided in such existing D&O Insurance, and including coverage in respect of acts or omissions occurring at or prior to the Closing. Prior to the Closing, the Company shall purchase tail/run-off insurance coverage for its directors' and officers' liability and errors and omissions liability insurance policies with a claims period covering the six (6)-year period following the Closing Date for acts and omissions occurring prior to the Closing Date, in each case (x) to the extent such tail/run-off insurance can be purchased on commercially reasonable terms and (y) subject to the terms and conditions of such insurance policies. Prior to the Closing, the Company shall purchase tail/run-off insurance coverage for its cyber insurance policy with a claims period covering the one (1)-year period following the Closing Date for acts and omissions occurring prior to the Closing Date, (x) to the extent such tail/run-off insurance can be purchased on commercially reasonable terms and (y) subject to the terms and conditions of such insurance policy.

5.8. Tax Matters. The following provisions shall govern the allocation of responsibility as between Buyer and Seller for certain tax matters following the Closing Date:

(a) Tax Indemnification.

(i) Seller shall, pursuant to the terms of Section 10.3(a)(ii), indemnify and hold Buyer and its Affiliates harmless from and against (A) all income Taxes (or the non-payment thereof) of the Company for all taxable periods ending on or before the Closing Date and the portion through the end of the Closing Date for any taxable period that includes (but does not end on) the Closing Date ("**Pre-Closing Tax Period**"), (B) any and all income Taxes of any member of an affiliated, consolidated, combined, or unitary group of which the Company is or was a member on or prior to the Closing Date, including pursuant to Treasury Regulation §1.1502-6 or any analogous or similar state, local, or foreign law or regulation, and (C) any and all income Taxes of any person (other than the Company) imposed on the Company as a transferee or successor, by contract or pursuant to any Law, rule or regulation, which Taxes relate to an event or transaction occurring (other than an event or transaction of Buyer or its Affiliates) before the Closing, *provided*, *that*, Seller shall have no obligation to indemnify Buyer or its Affiliates for any income Taxes resulting from (x) any transactions occurring on the Closing Date after the Closing outside of the Ordinary Course of Business, or (y) any breach by Buyer of Section 5.8(g); *provided*, *however*, that in the case of clauses (A), (B) and (C) above, Seller shall be liable only to the extent that such income Taxes are in excess of the amount, if any, reserved for such Taxes (excluding any reserve for deferred Taxes established to reflect timing differences between book and Tax income) on the face of the Financial Statements, as such reserve is adjusted from time to time through the Closing consistent with past practice of the Company in filing its Tax Returns and as such reserve may be adjusted in the final determination of Closing Working Capital pursuant to Section 2.3.

(ii) Buyer shall, pursuant to the terms of Section 10.3(b), indemnify and hold Seller and its Affiliates harmless from and against all income Taxes (or the non-payment thereof) relating to the income or activities of the Company for all taxable periods that are not Pre-Closing Tax Periods.

(iii) If a claim shall be made by any Tax Authority with respect to Taxes, which, if successful, might result in an indemnity payment to a party pursuant to this Section 5.8, the procedures set forth in Section 10.3 shall apply.

(b) Straddle Period. In the case of any taxable period that includes (but does not end on) the Closing Date (a "**Straddle Period**"), the amount of any income Taxes for the Pre-Closing Tax Period shall be determined based on an interim closing of the books as of the close of business on the Closing Date.

(c) Responsibility for Filing Post-Closing Tax Returns. Buyer shall prepare or cause to be prepared and file or cause to be filed all Tax Returns for the Company that are filed after the Closing Date. To the extent relating to a Pre-Closing Tax Period (i) all such Tax Returns shall be prepared and filed by Buyer in a manner consistent with past practice, except as required by a change in applicable Law; and (ii) Buyer shall provide Seller with at least fifteen (15) Business Days to review and comment on each such Tax Return prior to filing and shall make such revisions to such Tax Returns as are reasonably requested by Seller.

(d) Cooperation on Tax Matters. Each of Buyer and Seller shall, and Buyer shall cause its Affiliates to, cooperate fully, as and to the extent reasonably requested by the other party, in connection with the filing of Tax Returns with respect to the Company and any audit, litigation or other Proceeding with respect to Taxes, including any Tax Claim. Such cooperation shall include the retention and (upon the request of the other party) the provision of records and information that are reasonably relevant to any such Tax Returns or audit, litigation or other Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Buyer and Seller agree, and Buyer shall cause its Affiliates, (A) to retain all books and records with respect to Tax matters relating to the Company for any taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by Buyer or Seller, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any Taxing Authority, and (B) to give the other party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other party so requests, Buyer or Seller shall, and Buyer shall cause its Affiliates to, allow such party to take possession of such books and records. Buyer and Seller further agree, upon request, to use, and Buyer shall cause its Affiliates to use, their respective Commercially Reasonable Efforts to obtain any certificate or other document from any Tax Authority or any other person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including with respect to any of the transactions contemplated by this Agreement).

(e) Tax Sharing Agreements. All Tax sharing agreements or similar agreements with respect to or involving the Company, other than any such agreements included in contracts entered into in the Ordinary Course of Business and not primarily relating to Taxes, shall be terminated as of the Closing Date and, after the Closing Date, the Company shall not be bound thereby or have any liability thereunder.

(f) Transfer Taxes. All transfer, documentary, sales, use, stamp, registration and other such Taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with the consummation of the transactions contemplated by this Agreement ("**Transfer Taxes**") shall be paid by Buyer. Buyer shall, at its own expense, file all necessary Tax Returns and other documentation with respect to all such Transfer Taxes.

(g) Amended Returns and Retroactive Elections. Buyer shall not, and shall not cause or permit Company to, (i) amend any Tax Returns filed with respect to any Tax Period ending on or before the Closing Date or with respect to any Straddle Period, or (ii) make any Tax election that has a retroactive effect to any such Tax Period or Straddle Period, in each case without the prior written consent of Seller.

(h) Refunds and Tax Benefits. Any income Tax refunds that are received by Buyer or Company, and any amounts credited against income Tax to which Buyer or Company become entitled, that relate to income Tax Periods or portions thereof ending on or before the Closing Date shall be for the account of Seller, and Buyer shall pay over to Seller any such refund or the amount of any such credit within fifteen (15) days after receipt or entitlement thereto; *provided*, *however*, that Buyer shall be liable only to the extent that such income Taxes are in excess of any Tax asset (excluding any deferred Tax asset established to reflect timing differences between book and Tax income) on the face of the Financial Statements, as such asset is adjusted from time to time through the Closing consistent with past practice of the Company in filing its Tax Returns and as such asset may be adjusted in the final determination of Closing Working Capital pursuant to Section 2.3.

5.9. Books and Records.

(a) Prior to the Closing Date, CMC shall transfer to the Company all books, records and assets used by or relating to the Company in the possession of CMC, primarily consisting of the employee records of Transfer Eligible Employees.

(b) From and after the Closing, Buyer shall, and shall cause the Company to, retain all books and records relating to the Company for a period of six (6) years after the Closing Date. In addition to the foregoing, from and after the Closing, Buyer shall, and shall cause the Company to, afford Seller and its counsel, accountants and other authorized agents and representatives, during normal business hours, upon reasonable notice and upon the execution and delivery of a confidentiality agreement in customary form and substance (which shall include appropriate exceptions for disclosure relating to Tax matters), and subject to HIPAA compliance (including the execution and delivery of Buyer's standard business associate agreement), reasonable access to the personnel, books, records and other data relating to the Company and any New Employees in its and its Affiliates' possession or employment, and the right to make copies and extracts therefrom, to the extent that such access may be reasonably required by the requesting party (i) to facilitate the investigation, litigation and final disposition of any claims or audits which may have been or may be made against any such party or its Affiliates, (ii) for the preparation of Tax Returns and other documents and reports that such party or its Affiliates are required to file with Governmental Authorities, (iii) for accounting purposes, and (iv) for any other reasonable business purpose related to Seller's pre-Closing ownership and operation of the Company, this Agreement, or the transactions contemplated hereby. The foregoing shall not require any party to permit any inspection, or to disclose any information, that in its reasonable judgment, upon the advice of outside counsel, is reasonably likely to result in the waiver of any attorney-client privilege.

(c) Seller may retain (i) CD copies of the materials included in any data room in connection with the Auction and the transactions contemplated by this Agreement, together with CD copies of all documents referred to in such materials, (ii) all internal correspondence and memoranda, valuations, investment banking presentations and bids received from other persons in connection with the Auction and the transactions contemplated by this Agreement (and the same may be removed from the Company by Seller prior to the Closing), and (iii) copies of all consolidated and combined financial information and all other accounting records prepared or used in connection with the preparation of the Financial Statements or the Estimated Closing Statement.

(d) Buyer and Seller hereby agree and acknowledge that, if the transactions contemplated by this Agreement are consummated, all pre-Closing communications in any form or format whatsoever between the Company and its advisors that relate in any way to the Auction or the negotiation, documentation, execution or consummation of the transactions contemplated by this Agreement or, prior to the Closing, any dispute arising under this Agreement (collectively, but only to the extent that they so relate, the "**Deal Communications**"), shall be deemed to be retained and owned by Seller (and the same may be removed from the Company by Seller prior to the Closing). All Deal Communications that are attorney-client privileged (the "**Privileged Deal Communications**") shall remain privileged after the Closing, and the privilege and the expectation of client confidence relating thereto shall belong solely to Seller and shall not pass to or be claimed by Buyer or the Company; *provided*, *however*, that nothing contained herein shall be deemed to be a waiver by the Company of any applicable privileges or protections that can or may be asserted to prevent disclosure of any such communications to any third party. For the avoidance of doubt, Privileged Deal Communications may not be used by Buyer or the Company (or any Buyer Indemnified Party) against Seller in connection with any dispute arising under this Agreement. Notwithstanding the foregoing, in the event that a dispute arises between Buyer or the Company, on the one hand, and a third party other than Seller, on the other hand, Buyer or the Company may assert the attorney-client privilege to prevent the disclosure of Privileged Deal Communications to such third party; *provided*, *however*, that neither Buyer nor the Company may waive such privilege without the prior written consent of Seller. In the event that Buyer or the Company is legally required by governmental order or otherwise to access or obtain a copy of all or a portion of the Privileged Deal Communications, Buyer shall immediately (and, in any event, within two (2) Business Days) notify Seller in writing so that Seller can seek a protective order, and Buyer agrees to use, and agrees to cause the Company to use, all Commercially Reasonable Efforts to assist therewith. To the extent that any pre-Closing files or other materials maintained by the Company's counsel, MTO, constitute Deal Communications, following the Closing, only Seller shall hold such property rights in such Deal Communications, and such counsel shall have no duty to reveal or disclose any such files or other materials or any Privileged Deal Communications to Buyer or the Company following the Closing by reason of any attorney-client relationship between such counsel, on the one hand, and the Company, on the other hand, so long as such files or other materials would be subject to a privilege or protection if they were being requested in a proceeding by an unrelated third party. Buyer agrees, on behalf of itself and, after the Closing, the Company, (x) to the extent that it or, after the Closing, the Company receives or takes physical possession of any Deal Communications, (i) such physical possession or receipt shall not, in any way, be deemed a waiver by Seller of the privileges or protections described in this Section 5.9(c), and (ii) it or the Company shall not assert any claim that Seller waived the attorney-client privilege, attorney work-product protection, or any other right or expectation of client confidence applicable to any such materials or communications solely by reason of such receipt or physical possession, and (y) not to seek to obtain the Deal Communications from Company's counsel so long as such Deal Communications would be subject to a privilege or protection if they were being requested in a proceeding by an unrelated third party. In furtherance of the foregoing, it shall not be a breach of any provision of this Agreement if prior to the Closing, Seller takes any action to protect from access or remove from the premises of the Company (or any offsite back-up or other facilities) any Deal Communications. In the event that any copy, backup, image or other form or version or electronic vestige of any portion of such Deal Communication remains accessible to or discoverable or retrievable by Buyer or the Company (each, a "**Residual Communication**"), Buyer agrees that it will not, and that it will cause the Company not to, intentionally use or attempt to use any means to access, retrieve, restore, recreate, unarchive or otherwise gain access to or review any Residual Communications.

5.10. Tangible Net Equity; Working Capital. From the Execution Date until the Closing Date (including after giving effect to the Closing), Seller shall cause the Company to maintain at all times (a) a positive tangible net equity (as defined in subdivision (c) of Section 1300.76 of Title 28 of the California Code of Regulations), and (b) a positive level of working capital (excess of current assets over current liabilities).

5.11. MedPOINT Agreement. From and after the Closing, Buyer shall, during the MedPOINT Transition Period, cause the Company to fulfill all of its obligations arising from or related to the MedPOINT Agreement. In accordance with the terms of the MedPOINT Termination Agreement, the MedPOINT Agreement shall terminate as of the last day of the MedPOINT Transition Period. Buyer and Seller shall, no later than three (3) Business Days prior to the last day of the MedPOINT Transition Period, provide the Escrow Agent with joint written instructions to deliver to MedPOINT, on the last day of the MedPOINT Transition Period (or if such day is not a Business Day, the first Business Day following such day), an amount equal to the MedPOINT Termination Fee, by wire transfer in immediately available U.S. funds drawn from the MedPOINT Escrow Account, to the MedPOINT account reflected in Company Expenses Schedule. No later than the second (2nd) Business Day following the exhaustion of all funds from the MedPOINT Escrow Account, Buyer and Seller shall provide the Escrow Agent with joint written instructions to terminate the MedPOINT Escrow Account. All fees, costs and expenses of the Escrow Agent in connection with the MedPOINT Escrow Account shall be split evenly by Buyer and Seller.

5.12. Non-Competition; Non-Solicitation. During the Restricted Period, Seller shall not (a) provide services to (whether as a director, officer, employee or consultant), or acquire any interest in, (i) any independent physicians association that provides professional services to health maintenance organization plan members in the Restricted Territory through a network of independent primary care and specialty care physicians (each, an "**IPA**") or (ii) a management company that provides services to an IPA, or (b) solicit the employment of any New Employee then currently employed by the Company or employed by the Company during the six (6) preceding months of such solicitation, it being understood that a New Employee responding to a general solicitation for employment not specifically directed at such New Employee shall not be deemed to be a breach of this Section 5.12.

5.13. Non-Disparagement. During the Restricted Period, Seller shall not make any disparaging statements about the Company or any of its directors, officers or employees. During the Restricted Period, Buyer shall not, and Buyer shall cause its directors, officers and employees and the Company and its directors, officers and employees not to, make any disparaging statements about Seller. For purposes of this Section 5.13, a disparaging statement includes any communication which, if communicated to another, would cause or tend to cause the recipient of the communication to question the honesty, reputation, integrity, trustworthiness, competence, skill, judgment, goodwill, experience or good character of, or otherwise embarrass, the subject to whom or which the communication relates (whether or not such disparaging statement legally constitutes libel or slander). Notwithstanding the foregoing, it shall not be deemed a breach of this Section 5.13 for a Person to make a truthful statement required to be made in connection with a Proceeding involving Buyer, Seller, the Company, this Agreement or the transactions contemplated hereby.

5.14. Further Assurances. Following the Closing, each of the parties hereto shall, and shall cause their respective Affiliates to, execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement.

5.15. Disclaimer Regarding Projections. In connection with Buyer's investigation of the Company, Buyer has received from Seller and its representatives certain (a) projections and other forecasts and (b) business plan information. Buyer acknowledges that (w) there are uncertainties inherent in attempting to make any projections and other forecasts and plans, (x) Buyer is familiar with such uncertainties, (y) Buyer is taking full responsibility for making its own evaluation of the adequacy and, except as expressly set forth in ARTICLE III, accuracy of all projections and other forecasts and plans so furnished to it, and (z) except in connection with a breach of ARTICLE III, which is governed by ARTICLE X, Buyer shall have no claim against any Person with respect thereto. Accordingly, except as expressly set forth in ARTICLE III, Buyer acknowledges that Seller has not made, and is not making, any representation or warranty with respect to such projections, forecasts or plans.

ARTICLE VI
EMPLOYEE MATTERS

6.1. Transferred Employees.

(a) On the Closing Date, Seller shall cause Centurion Management Company, Inc. ("**CMC**") to terminate the employment of each of its employees who provides services to the Company and is listed on Schedule 6.1 of the Disclosure Schedules, in each case effective as of the Closing (each, a "**Transfer Eligible Employee**").

(b) On the Closing Date, Seller shall cause CMC to pay to each Transfer Eligible Employee any PTO and vacation benefits that is accrued and outstanding as of the Closing Date.

(c) Prior to the Closing, Buyer shall offer employment by the Company as of the Closing Date to each Transfer Eligible Employee, including each such Transfer Eligible Employee on vacation or leave of absence (including disability leave, medical leave, workers' compensation leave or leave due to pregnancy), with such employment with the Company to commence on the Closing Date.

(d) Each such offer of employment to a Transfer Eligible Employee shall offer such Transfer Eligible Employee the same or greater base pay provided by CMC as of the Execution Date and eligibility for employee benefit plans and programs on a basis substantially comparable to the plans offered to similarly situated employees of Allied. Each such employee shall be deemed to have accepted such offer of employment unless he or she affirmatively declines such offer. Such employees who accept, or are deemed to have accepted, such offers of employment shall be referred to herein collectively as "**New Employees**."

(e) The employment of each New Employee by the Company shall be considered effective, and his or her employment by CMC shall terminate and transfer to the Company, on the Closing Date.

6.2. [Intentionally Omitted].

6.3. Employee Benefits.

(a) As of the Closing, the New Employees shall cease to be eligible participants in any Employee Benefit Plan maintained by CMC (collectively, the "**CMC Plans**"). Prior to Closing, Buyer shall provide Seller with a true and complete summary of the Employee Benefit Plans (such plans, the "**Buyer Plans**") that Buyer shall cause the Company to offer to the New Employees effective as of the Closing Date in lieu of the CMC Plans.

(b) For purposes of determining vesting, eligibility to participate and level of benefits under the Buyer Plans and for purposes of accruing vacation benefits and sick days under Buyer's policies, Buyer shall ensure that each New Employee shall, subject to applicable Law and applicable Tax qualification requirements, be credited with his or her years of service with CMC or its Affiliates to the same extent as such New Employee was entitled, immediately prior to the Closing, to such credit for service under a comparable CMC Plan; *provided*, *that*, the foregoing shall not apply to the extent that its application would result in a duplication of benefits.

(c) In addition, and without limiting the generality of the foregoing, Buyer shall ensure that (i) each New Employee shall be immediately eligible to participate, without any waiting time, in any and all Buyer Plans if such New Employee participated immediately prior to the Closing in a comparable CMC Plan, and (ii) for purposes of each Buyer Plan providing health, medical, dental, pharmaceutical and/or vision benefits to any New Employee, Buyer shall cause all pre-existing condition exclusions and actively-at-work requirements of such Buyer Plan to be waived for such New Employee and his or her covered dependents, unless such conditions would not have been waived under a comparable CMC Plan, and Buyer shall cause any eligible expenses incurred by such New Employee and his or her covered dependents during the portion of the plan year of the CMC Plan ending on the date such New Employee's participation in the corresponding Buyer Plan begins to be taken into account under such Buyer Plan for purposes of satisfying all deductible, co-payment, co-insurance and maximum out-of-pocket requirements applicable to such employee and his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with such Buyer Plan, but only to the extent such expenses were incurred before the date such New Employee's participation in the corresponding Buyer Plan is effective. Seller agrees to cause CMC to promptly transmit to Buyer, upon Buyer's request, all information and data in CMC's possession and reasonably necessary to allow Buyer to effectuate the intent of this Section 6.2(c).

(d) All eligible claims incurred by New Employees or their covered dependents that relate to conditions or expenses arising prior to the Closing under the CMC Plans shall be covered by the CMC Plans, and all eligible claims incurred by New Employees or their covered dependents that relate to conditions or expenses arising on or after the Closing shall be covered by the Buyer Plans.

(e) Buyer shall assume all Liabilities of New Employees to the extent they are accrued or reserved as a dollar amount in Closing Working Capital. In addition, Buyer shall assume all Liabilities arising from or related to (i) workers' compensation claims related to current or former Employees of CMC, whether incurred prior to, on or after the Closing Date, to the extent such Liabilities are covered by a Workers' Compensation Policy transferred or reissued to the Company at the Closing pursuant to Section 6.2(f) or otherwise covered by an existing workers' compensation policy maintained for the benefit of the Company following the Closing, and (ii) any disability benefits payable to New Employees in accordance with applicable Laws.

(f) As of the Closing, Seller and Buyer shall use their Commercially Reasonable Efforts to cause each insurance policy maintained by CMC that relates to workers' compensation of New Employees (each such policy, a "**Workers' Compensation Policy**") to be transferred or reissued in the name of the Company, to the extent such policies can be transferred or reissued.

6.4. COBRA Coverage. On or after the Closing Date, Buyer shall provide continuation coverage required by Section 4980B of the Code and Sections 601 to 608 of ERISA to all New Employees (including their covered beneficiaries) who currently are or become qualified beneficiaries on or prior to the Closing.

6.5. General. Notwithstanding anything to the contrary in this Agreement, the parties expressly acknowledge and agree that (a) thisARTICLE VI is not intended to create an employment-related contract between Buyer, Seller, the Company or CMC, on the one hand, and any Employee of CMC, on the other, nor may any current or former Employee of CMC rely on this Agreement as the basis for any breach of any employment-related contract claim against Buyer, Seller, the Company or CMC, (b) nothing in this ARTICLE VI shall be deemed or construed to require Buyer or its Affiliates to continue to employ any particular New Employee for any period after the Closing, (c) nothing in this ARTICLE VI shall be deemed or construed to limit the Company's right to terminate the employment of any New Employee at any time after the Closing, (d) nothing in this ARTICLE VI shall be construed as establishing or amending any Employee Benefit Plan, (e) nothing in thisARTICLE VI is intended to create any rights or obligations of any New Employee and no current or former Employee of CMC, no beneficiary or dependent thereof, and no other Person who is not a party to this Agreement, shall be entitled to assert any claims hereunder, and (f) except as expressly set forth in this ARTICLE VI, nothing in this shall be deemed or construed to create a successorship to any Employee Benefit Plan.

ARTICLE VII
CONDITIONS TO BUYER'S OBLIGATIONS

The obligation of Buyer to consummate the Share Purchase and the other transactions contemplated by this Agreement, and to take the other actions to be taken by Buyer at the Closing, is subject to the fulfillment (or express written waiver by Buyer) of each of the following conditions:

7.1. Representations and Warranties. The representations and warranties of Seller contained inARTICLE III shall be true and correct (determined without regard to any qualification therein as to materiality or Material Adverse Effect) on and as of the Execution Date and as of the Closing Date as though made on and as of the Closing Date (other than such representations and warranties that are expressly made as of a certain date, which need only be true and correct as of such date), except in each case, where failures of such representations and warranties to be true and correct, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

7.2. Covenants. Seller shall have complied in all material respects with all agreements, covenants and obligations required to be performed by Seller under this Agreement on or prior to the Closing; *provided*, *however*, that, with respect to agreements, covenants and obligations that are qualified by materiality, Seller shall have performed such agreements, covenants and obligations, as so qualified, in all respects.

7.3. Litigation. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Law or Order (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits the Share Purchase and the other transactions contemplated by this Agreement (each, a "**Governmental Prohibition**"), and no person shall have instituted any Proceeding seeking any Governmental Prohibition that, if enacted, issued, promulgated, enforced or entered, would, individually or in the aggregate, have a Material Adverse Effect.

7.4. IEHP Approval. Seller shall have procured the written approval of IEHP (a) to its continued affiliation with the Company following the Closing as set forth in Section 12.12 of the IEHP Agreement, (b) to Buyer's acquisition of ownership and control of the Company, (c) to maintain the IEHP Agreement with the Company in effect as of the Execution Date without imposing, by reason of the transactions contemplated by this Agreement, modifications, amendments or additional conditions to the IEHP Agreement, and (d) to Network Medical Management, Inc. (an Affiliate of Buyer), on and following the termination of the MedPOINT Agreement as provided in Section 5.11, providing services to the Company substantially similar to services currently provided to the Company by MedPOINT (collectively, the "**IEHP Approval**").

7.5. MedPOINT Termination Agreement. The Company and MedPOINT shall have executed an agreement (the "**MedPOINT Termination Agreement**") for the termination of the MedPOINT Agreement as of the last day of the MedPOINT Transition Period on terms and conditions satisfactory to Seller in Seller's sole and absolute discretion, including Seller's satisfaction of the amount of any termination fee required to be paid by the Company to MedPOINT (which shall be reflected in Company Expenses and paid in accordance with Section 5.11); *provided*, *that*, the MedPOINT Termination Agreement shall, as of the last day of the MedPOINT Transition Period, fully release the Company of any and all claims arising from or related to the MedPOINT Agreement (other than any termination fee that may be payable by the Company as reflected in the MedPOINT Termination Agreement).

7.6. Seller's Closing Deliveries. Seller shall have delivered to Buyer the deliveries set forth in Section 2.5(a).

ARTICLE VIII
CONDITIONS TO SELLER'S OBLIGATIONS

The obligation of Seller to consummate the Share Purchase and the other transactions contemplated by this Agreement, and to take the other actions to be taken by Seller at the Closing, is subject to the fulfillment (or express written waiver by Seller) of each of the following conditions:

8.1. Representations and Warranties. The representations and warranties of Buyer contained in ARTICLE IV shall be true and correct (determined without regard to any qualification therein as to materiality or Material Adverse Effect) on and as of the Execution Date and as of the Closing Date as though made on and as of the Closing Date (other than such representations and warranties that are expressly made as of a certain date, which need only be true and correct as of such date), except in each case, where failures of such representations and warranties to be true and correct, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

8.2. Covenants. Buyer shall have complied in all material respects with all agreements, covenants and obligations required to be performed by Buyer under this Agreement on or prior to the Closing; *provided*, *however*, that, with respect to agreements, covenants and obligations that are qualified by materiality, Buyer shall have performed such agreements, covenants and obligations, as so qualified, in all respects.

8.3. Litigation. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Governmental Prohibition, and no person shall have instituted any Proceeding seeking any Governmental Prohibition that, if enacted, issued, promulgated, enforced or entered, would, individually or in the aggregate, prohibit, restrict or delay, in any material respect, the performance by Buyer of Buyer's obligations hereunder or the consummation of the Share Purchase and the other transactions contemplated hereby.

8.4. IEHP Approval. Seller shall have procured the IEHP Approval.

8.5. MedPOINT Termination Agreement. The Company and MedPOINT shall have executed the MedPOINT Termination Agreement for the termination of the MedPOINT Agreement as of the last day of the MedPOINT Transition Period on terms and conditions satisfactory to Seller in Seller's sole and absolute discretion, including Seller's satisfaction of the amount of any termination fee required to be paid by the Company to MedPOINT (which shall be reflected in Company Expenses and paid in accordance with Section 5.11); *provided*, *that*, the MedPOINT Termination Agreement shall, as of the last day of the MedPOINT Transition Period, fully release the Company of any and all claims arising from or related to the MedPOINT Agreement (other than any termination fee that may be payable by the Company as reflected in the MedPOINT Termination Agreement).

8.6. Buyer's Closing Deliveries Buyer shall have delivered to Seller the deliveries set forth in Section 2.5(b) and Section 2.5(d).

ARTICLE IX
TERMINATION

9.1. Generally. This Agreement may be terminated by mutual written consent of Buyer and Seller or by written notice given prior to the Closing in the manner provided as follows:

(a) by Buyer to Seller if any of the conditions set forth in Article VII (excluding conditions that by their nature are to be satisfied at the Closing) shall not have been satisfied on or before the date that is six months after the Execution Date (or such other date as may have been mutually agreed upon in writing by Buyer and Seller) (the "**Drop-Dead Date**"); *provided, that*, such failure to be satisfied is not caused by Buyer's material breach of this Agreement;

(b) by Seller to Buyer if any of the conditions set forth in ARTICLE VIII (excluding conditions that by their nature are to be satisfied at the Closing) shall not have been satisfied on or before the Drop-Dead Date; *provided, that*, such failure to be satisfied is not caused by Seller's material breach of this Agreement;

(c) by Buyer to Seller if Seller shall have materially breached any representation, warranty or covenant contained herein that would give rise to a failure of any of the conditions set forth in Section 7.1 or Section 7.2 and such breach shall not have been cured within thirty (30) calendar days after receipt by Seller of written notice of such breach from Buyer; *provided, however*, that Buyer is not then in material breach of this Agreement;

(d) by Seller to Buyer if Buyer shall have materially breached any representation, warranty or covenant contained herein that would give rise to a failure of any of the conditions set forth in Section 8.1 or Section 8.2 and such breach shall not have been cured within thirty (30) calendar days after receipt by Buyer of written notice of such breach from Seller; *provided, however*, that Seller is not then in material breach of this Agreement; or

(e) by Buyer to Seller, or Seller to Buyer, if any Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Governmental Prohibition that has become final and nonappealable; *provided, that*, the Person seeking to terminate this Agreement pursuant to this Section 9.1(e) shall not have breached this Agreement, which breach is the proximate cause of, or resulted in, such Governmental Prohibition;

9.2. Effect of Termination. The rights of termination under Section 9.1 are in addition to any other rights Buyer or Seller may have under this Agreement and the exercise of a right of termination shall not be deemed to be an election of remedies. If this Agreement is terminated pursuant to Section 9.1, all further obligations of Buyer and Seller under this Agreement will terminate, except that the obligations set forth in Section 5.6 (Publicity), this Section 9.2 (Effect of Termination), and ARTICLE XI (Miscellaneous) (other than Section 11.1 (Further Assurances) and Section 11.6 (Enforcement)) shall survive the termination of this Agreement; *provided*, *however*, that (a) if this Agreement is properly terminated by Buyer pursuant to Section 9.1 due to a material and intentional breach of this Agreement by Seller or due to Seller's Fraud, Buyer's right to pursue remedies (consistent with this Agreement) for such breach shall survive such termination unimpaired, and (b) if this Agreement is properly terminated by Seller pursuant to Section 9.1 due to a material and intentional breach of this Agreement by Buyer or due to Buyer's Fraud, Seller's right to pursue remedies (consistent with this Agreement) for such breach shall survive such termination unimpaired.

ARTICLE X
INDEMNIFICATION

10.1. Survival. The representations and warranties contained in this Agreement shall survive the Closing and continue in full force and effect until the earlier of (a) the end of the eighteen (18)-month period immediately following the Closing Date and (b) the first date on which all funds are exhausted from the Indemnification Escrow Account. Immediately following the last day of such survival period (the "**Survival End Date**"), such representations and warranties shall expire automatically, except that the representations and warranties contained in Section 3.1 (Organization and Good Standing), Section 3.2 (Authority and Enforceability), Section 3.5 (Ownership of Shares) and Section 3.6 (Capitalization; Subsidiaries) (collectively, the "**Seller Fundamental Reps**"), and Section 4.1 (Organization and Good Standing) and Section 4.2 (Authority and Enforceability) (collectively, the "**Buyer Fundamental Reps**") shall survive in perpetuity with respect only to the matters addressed therein and the representations and warranties contain in Section 3.15 (Taxes) (collectively, the "**Tax Reps**") shall survive until thirty (30) days following the close of the applicable statute of limitations. The covenants and agreements contained in this Agreement (other than covenants and agreements to be performed after the Closing) shall expire on the Closing Date. Covenants or agreements contained herein to be performed after the Closing shall survive until performed, and the indemnification obligations with respect thereto shall survive for a period of eighteen (18) months following performance, except as otherwise provided herein. If written notice of a claim has been given in accordance with Section 10.2(c) prior to the expiration of the applicable representations, warranties, covenants or agreements, then the applicable representations, warranties, covenants or agreements shall survive as to such claim, until such claim has been finally resolved.

10.2. General Indemnification. Subject to the other provisions set forth in thisARTICLE X (including the limits on indemnification set forth inSection 10.4):

(a) By Seller. From and after the Closing, Seller shall indemnify, save and hold harmless Buyer and its Affiliates, successors and permitted assigns and each of the foregoing's respective directors, officers, employees and agents (collectively, the "**Buyer Indemnified Parties**") from and against any and all Damages arising out of or resulting from, without duplication: (i) the breach of any representation or warranty made by Seller under ARTICLE III (other than any representation or warranty contained in Section 3.15 (Taxes)), or (ii) the breach of any covenant or agreement of this Agreement by Seller (other than any covenant or agreement contained in Section 5.8 (Tax Matters)); *provided*, *that*, (x) Seller shall not have any obligation hereunder with respect to any breach set forth in clause (i) or (ii) above unless the Buyer Indemnified Parties have made a proper claim for indemnification in accordance with Section 10.2(c) (A) with respect to a breach of a representation or warranty, prior to the expiration of such representation or warranty as set forth in Section 10.1, (B) with respect to a breach of a covenant or agreement to be performed on or prior to the Closing, prior to the Survival End Date, and (C) with respect to a breach of a covenant or agreement to be performed after the Closing, during the eighteen (18)-month period immediately following the date on which such covenant or agreement is to be performed, and (y) the sole recourse of any Buyer Indemnified Party for any and all Damages arising out of or resulting from matters set forth in Sections 3.15 and 5.8 shall be controlled by Section 10.3.

(b) By Buyer. From and after the Closing, Buyer, jointly and severally, shall indemnify, save and hold harmless Seller and its Affiliates, successors and permitted assigns and each of the foregoing's respective directors, officers, employees and agents (collectively, the "**Seller Indemnified Parties**") from and against any and all Damages arising out of or resulting from, without duplication: (i) the breach of any representation or warranty made by Buyer under ARTICLE IV, (ii) the breach of any covenant or agreement of this Agreement by Buyer (other than any covenant or agreement contained in Section 5.8 (Tax Maters)), or (iii) the operation of the Company; *provided*, *that*, (x) Buyer shall not have any obligation hereunder with respect to any breach set forth in clause (i) or (ii) above unless the Seller Indemnified Parties have made a proper claim for indemnification in accordance with Section 10.2(c) (A) with respect to a breach of a representation or warranty, prior to the expiration of such representation or warranty as set forth in Section 10.1, (B) with respect to a breach of a covenant or agreement to be performed at or prior to the Closing, prior to the Survival End Date, and (C) with respect to a breach of a covenant or agreement to be performed after the Closing, during the eighteen (18)-month period immediately following the date on which such covenant or agreement is to be performed, and (y) the sole recourse of any Seller Indemnified Party for any and all Damages arising out of or resulting from matters set forth in Section 5.8 shall be controlled by Section 10.3.

(c) Procedure. Any party seeking indemnification under this Section 10.2 or under Section 10.3 (an "**Indemnified Party**") shall give the party from whom indemnification is being sought (an "**Indemnifying Party**") notice of any matter which such Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement as soon as practicable after the party entitled to indemnification becomes aware of any fact, condition or event which may give rise to Damages for which indemnification may be sought under this Section 10.2 or under Section 10.3. The liability of an Indemnifying Party under this Section 10.2 or under Section 10.3 with respect to Damages arising from claims of any third party which are subject to the indemnification provided for in this Section 10.2 or under Section 10.3 ("**Third Party Claims**") shall be governed by and contingent upon the following additional terms and conditions (except as otherwise provided in Section 10.3(d) with respect to Tax Claims): if an Indemnified Party shall receive notice of any Third Party Claim, the Indemnified Party shall give the Indemnifying Party notice of such Third Party Claim within ten (10) days of the receipt by the Indemnified Party of such notice; *provided*, *however*, that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Section 10.2 or under Section 10.3, except to the extent the Indemnifying Party is materially prejudiced by such failure. The Indemnifying Party shall be entitled to assume and control the defense of such Third Party Claim at its expense and through counsel of its choice if it gives notice of its intention to do so to the Indemnified Party within thirty (30) days of the receipt of such notice from the Indemnified Party; *provided*, *however*, that if there exists a material conflict of interest (other than one that is of a monetary nature) that would make it inappropriate for the same counsel to represent both the Indemnified Party and the Indemnifying Party, then the Indemnified Party shall be entitled to retain its own counsel and the Indemnifying Party shall be obligated to pay the reasonable fees and expense of such counsel; *provided*, *further*, that the Indemnifying Party shall not be obligated to pay the reasonable fees and expenses of more than one separate counsel for all Indemnified Parties, taken together (except to the extent that local counsel are necessary or advisable for the conduct of such Proceeding, in which case the Indemnifying Party shall also pay the reasonable fees and expenses of any such local counsel). If the Indemnifying Party shall not assume the defense of any Third Party Claim or litigation resulting therefrom, the Indemnified Party may defend against such claim or litigation in such manner as it may deem appropriate and may settle such claim or litigation on such terms as it may deem appropriate; *provided*, *however*, that in settling any action in respect of which indemnification is payable under this ARTICLE X, it shall act reasonably and in good faith and shall not so settle such action without the consent of the Indemnifying Party, which consent shall not be unreasonably withheld. In the event the Indemnifying Party exercises the right to undertake any such defense against any such Third Party Claim as provided above, the Indemnified Party shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party, all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably required by the Indemnifying Party. Similarly, in the event the Indemnified Party is, directly or indirectly, conducting the defense against any such Third Party Claim, the Indemnifying Party shall cooperate with the Indemnified Party in such defense and make available to the Indemnified Party, all such witnesses, records, materials and information in the Indemnifying Party's possession or under the Indemnifying Party's control relating thereto as is reasonably required by the Indemnified Party. The Indemnifying Party shall not, without the written consent of the Indemnified Party, (i) settle or compromise any Third Party Claim or consent to the entry of any judgment which does not include an unconditional written release by the claimant or plaintiff of the Indemnified Party from all liability in respect of such Third Party Claim or (ii) settle or compromise any Third Party Claim if the settlement imposes equitable remedies or material obligations on the Indemnified Party other than financial obligations for which such Indemnified Party will be indemnified hereunder. No Third Party Claim which is being defended in good faith by the Indemnifying Party in accordance with the terms of this Agreement shall be settled or compromised by the Indemnified Party without the written consent of the Indemnifying Party.

(d) Definition of Damages. The term "**Damages**" means any and all actual, after-Tax, out-of-pocket losses, costs and expenses (whether or not arising out of Third Party Claims), including reasonable attorneys' fees and all reasonable amounts paid in investigation, defense or settlement of any of the foregoing. **NOTWITHSTANDING THE FOREGOING OR ANY OTHER PROVISION OF THIS AGREEMENT TO THE CONTRARY, NO PARTY HERETO SHALL BE REQUIRED TO INDEMNIFY OR HOLD HARMLESS THE OTHER PARTY HERETO OR OTHERWISE COMPENSATE ANY INDEMNIFIED PARTY HERETO FOR DAMAGES WITH RESPECT TO MENTAL OR EMOTIONAL DISTRESS, OR INDIRECT, INCIDENTAL, CONSEQUENTIAL, LOST PROFITS, SPECIAL, PUNITIVE, EXEMPLARY OR SIMILAR DAMAGES.**

(e) Payment for indemnification obligations arising under this Section 10.2 shall be subject to the limitations set forth in Section 10.4.

10.3. Tax Indemnification.

(a) From and after the Closing, Seller shall indemnify, save and hold harmless the Buyer Indemnified Parties from and against, without duplication:

(i) any and all Damages arising out of or resulting from the breach of any representation or warranty made by Seller pursuant to Section 3.15; *provided*, *that*, Seller shall not have any obligation hereunder with respect to any such breach unless the Buyer Indemnified Parties have made a claim for indemnification pursuant to this Section 10.3 with respect to such breach prior to the expiration of such representation or warranty as set forth in Section 10.1; and

(ii) any and all Damages arising out of or resulting from any breach by Seller of any covenant contained in Section 5.8.

(b) From and after the Closing, Buyer, jointly and severally, shall indemnify, save and hold harmless the Seller Indemnified Parties from and against, without duplication any and all Damages arising out of or resulting from the breach by Buyer of any covenant contained in Section 5.8.

(c) If a claim shall be made by any Tax Authority with respect to Taxes, which, if successful, might result in an indemnity payment to a party pursuant to this Section 10.3 (a "**Tax Claim**"), the notice provisions set forth in Section 10.2(c) shall apply.

(d) With respect to any Tax Claim relating to a Tax Period ending on or prior to the Closing Date, Seller shall, upon written notification to Buyer, control all Proceedings and may make all decisions relating to such Tax Claim (including selection of counsel) at its own expense. Buyer and Seller shall jointly control all Proceedings relating to any Tax Claim for a Straddle Period. With respect to any Tax Claim relating to a Tax Period beginning after the Closing Date, Buyer shall control all Proceedings and may make all decisions relating to such Tax Claim (including selection of counsel) at its own expense. A party shall promptly notify the other party if it decides not to control the defense or settlement of any Tax Claim which it is entitled to control pursuant to this Agreement, and the other party shall thereupon be permitted to defend and settle such Proceeding.

(e) Any payment for indemnification obligations made to Buyer arising under this Section 10.3 shall be deemed to be an adjustment to the Purchase Price.

(f) Payment for indemnification obligations arising under this Section 10.3 shall be subject to the limitations set forth in Section 10.4.

10.4. Limits on Indemnification. Notwithstanding anything to the contrary contained in this Agreement:

(a) no amount shall be payable by Seller pursuant to Section 10.2(a)(i) until the aggregate amount of all claims for Damages that are indemnifiable pursuant to Section 10.2(a)(i) exceeds $50,000, and then only for the amount by which such Damages exceed such threshold amount, it being understood that no individual claim for Damages of $10,000 or less shall count for purposes of determining whether Damages have exceeded such threshold amount; *provided*, *however*, that the limitations set forth in this Section 10.4(a) shall not apply to a breach of any Fundamental Representation, Tax Rep or covenant or obligation contained in (x) this Agreement or (y) any certificate delivered at the Closing pursuant hereto, or with respect to Fraud committed by Seller;

(b) no amount shall be payable by Buyer pursuant to Section 10.2(b)(i) until the aggregate amount of all claims for Damages that are indemnifiable pursuant to Section 10.2(b)(i) exceeds $50,000, and then only for the amount by which such Damages exceed such threshold amount, it being understood that no individual claim for Damages of $10,000 or less shall count for purposes of determining whether Damages have exceeded such threshold amount; *provided*, *however*, that the limitations set forth in this Section 10.4(b) shall not apply to a breach of any Fundamental Representation or covenant or obligation contained in (x) this Agreement or (y) any certificate delivered at the Closing pursuant hereto, or with respect to Fraud committed by Buyer;

(c) the maximum aggregate amount of Damages for which indemnity may be recovered by the Buyer Indemnified Parties from Seller, other than pursuant to Section 10.2(a)(i) with respect to Seller Fundamental Reps, Tax Reps, the covenants of Seller set forth in Section 5.12 or 5.13, or Fraud committed by Seller, shall be an amount equal to the Indemnification Escrow Amount, and the total maximum aggregate amount of Damages for which indemnity may be recovered by the Buyer Indemnified Parties from Seller hereunder shall in no event exceed the total amount of consideration actually received by Seller pursuant hereto (the "**Maximum Cap**");

(d) the maximum aggregate amount of Damages for which indemnity may be recovered by the Seller Indemnified Parties from Buyer, other than pursuant to Section 10.2(b)(i) with respect to Buyer Fundamental Reps, the covenants of Buyer set forth inSection 5.13, or Fraud committed by Buyer, shall be an amount equal to the Indemnification Escrow Amount, and the total maximum aggregate amount of Damages for which indemnity may be recovered by the Seller Indemnified Parties from Buyer hereunder shall in no event exceed the Maximum Cap;

(e) the amount of any Damages claimed by any Buyer Indemnified Party hereunder shall be net of any allowances and reserves provided in the Financial Statements that are specifically identified with respect thereto;

(f) the amount of any Damages claimed by any Buyer Indemnified Party hereunder shall be net of any insurance, indemnity, contribution or other payments or recoveries of a like nature with respect thereto (it being agreed that, promptly after the realization of any such reductions of Damages pursuant hereto, such Buyer Indemnified Party shall reimburse Seller for such reduction in Damages for which such Buyer Indemnified Party was indemnified prior to the realization of such reductions of Damages);

(g) an Indemnified Party shall not be entitled under this Agreement to multiple recovery for the same Damages;

(h) in determining the amount of indemnification due under Section 10.2 or 10.3, all payments shall be reduced by any Tax benefit recognized or reasonably expected to be recognized by the Indemnified Party in any Tax year in which or prior to which the Damages arise (or in any of the three (3) immediately succeeding Tax years), in each case on account of the underlying claim;

(i) notwithstanding any provision to the contrary contained in this Agreement, in the event that an Indemnifying Party can establish that an Indemnified Party had actual Knowledge, on or before the Closing, of a breach of a representation, warranty or covenant of the Indemnifying Party upon which a claim for indemnification by the Indemnified Party is based, then the Indemnifying Party shall have no liability for any Damages resulting from or arising out of such claim;

(j) if an Indemnified Party recovers Damages from an Indemnifying Party underSection 10.2, the Indemnifying Party shall be subrogated, to the extent of such recovery, to the Indemnified Party's rights against any third party with respect to such recovered Damages, subject to the subrogation rights of any insurer providing insurance coverage under one of the Indemnified Party's policies and except to the extent that the grant of subrogation rights to the Indemnifying Party is prohibited by the terms of the applicable insurance policy;

(k) the sole and exclusive recourse for the payment of Damages to the Buyer Indemnified Parties pursuant to Section 10.2(a) (other than with respect to a breach of a Seller Fundamental Rep or Tax Rep by Seller, breach of a covenant of Seller set forth in Section 5.12 or 5.13, or Fraud committed by Seller, in each case as to which this Section 10.4(k) shall have no effect) shall be by payment from the Indemnification Escrow Account pursuant to the terms and conditions of the Escrow Agreement and Section 10.5;

(l) any Liabilities that are reflected in Closing Working Capital and therefore reflected in Purchase Price pursuant to Section 2.2 and in the purchase price adjustment provisions of Section 2.3, or that are reflected in the post-Closing adjustment payment provisions of Section 2.7, are expressly excluded from the indemnification provisions of this Article X and the sole and exclusive recourse for any payment based on any such Liabilities shall be Section 2.3 and Section 2.7, as applicable; and

(m) for purposes of this Article X, the representations and warranties contained in this Agreement shall be deemed to have been made without any qualifications as to materiality or Material Adverse Effect.

10.5. Indemnification Escrow Account.

(a) Any indemnification payment required to be made by Seller pursuant to Section 10.2(a) (other than with respect to a breach of a Seller Fundamental Rep or Tax Rep by Seller, breach of a covenant of Seller set forth in Section 5.12 or 5.13, or Fraud committed by Seller) shall only be recovered, if at all, from the Indemnification Escrow Account, to the extent any funds remain in the Indemnification Escrow Account, and not directly from Seller or any of its Affiliates. If all funds are exhausted from the Indemnification Escrow Account, neither Seller nor any of its Affiliates shall have any further obligation to make any indemnification payment pursuant to Section 10.2(a) (other than with respect to a breach of a Seller Fundamental Rep or Tax Rep by Seller, breach of a covenant of Seller set forth in Section 5.12 or 5.13, or Fraud committed by Seller). To the extent that any indemnification payment is required to be made by Seller pursuant to Section 10.2(a), or, if disputed, is required to be made by Seller after resolution of such dispute, Buyer and Seller shall promptly provide the Escrow Agent with joint written instructions to deliver to Buyer (for payment to the proper Buyer Indemnified Party) an amount equal to the lesser of the required payment and the aggregate amount remaining in the Indemnification Escrow Account, by wire transfer in immediately available U.S. funds drawn from the Indemnification Escrow Account, to the Buyer Account.

(b) The Escrow Agreement shall provide that on the Business Day following the Survival End Date, the Escrow Agent shall deliver to Seller, and Buyer and Seller shall take all action necessary to cause the Escrow Agent to deliver to Seller, all funds remaining in the Indemnification Escrow Account by wire transfer in immediately available U.S. funds, to the Seller Account; *provided*, *that*, if on the Survival End Date, any good faith claim for indemnification from Seller by any Buyer Indemnified Party pursuant to Section 10.2(a) is outstanding, such amount as may be reasonably necessary to satisfy such claim shall not be distributed pursuant to the Escrow Agreement or this Section 10.5(b) for so long as such claim is outstanding. No later than the second (2nd) Business Day following the exhaustion of all funds from the Indemnification Escrow Account, Buyer and Seller shall provide the Escrow Agent with joint written instructions to terminate the Indemnification Escrow Account. All fees, costs and expenses of the Escrow Agent in connection with the Indemnification Escrow Account shall be split evenly by Buyer and Seller.

10.6. Exclusive Remedy. Each party hereby acknowledges and agrees that, from and after the Closing, its or his sole and exclusive remedy relating to the transactions contemplated by this Agreement or the subject matter of this Agreement (other than claims for or in the nature of Fraud) shall be pursuant to the indemnification provisions of this ARTICLE X. In furtherance of the foregoing, each party hereby waives, from and after the Closing, to the fullest extent permitted by law, any and all other rights, claims and causes of action it or he may have against the other party or its Affiliates, successors and permitted assigns and each of the foregoing's respective equityholders, directors, officers, employees and agents relating to the Company, the transactions contemplated by this Agreement or the subject matter of this Agreement (other than claims for or in the nature of Fraud).

10.7. Mitigation. Each Indemnified Party shall use Commercially Reasonable Efforts to mitigate any Damages for which it may claim indemnification under this ARTICLE X. To the extent that the operations of the Company after the Closing are determined by a court of competent jurisdiction to have contributed to or aggravated any Damages as to which indemnification is available under this ARTICLE X, the court shall ascertain the amount, if any, by which such operations have contributed to or aggravated any such Damages and may reduce Seller's indemnification obligation by such amount.

ARTICLE XI
MISCELLANEOUS

11.1. Further Assurances. Each party hereto shall use its Commercially Reasonable Efforts to do and perform, or cause to be done and performed, all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments or documents as the other party hereto may reasonably request in order to carry out the intent and purposes of this Agreement and the consummation of the transactions contemplated hereby.

11.2. Notices. All notices, requests, instructions, claims, demands, consents and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given on the date delivered by hand, by internationally recognized courier service such as Federal Express, or by other messenger (or, if delivery is refused, upon presentment) to the parties at the following addresses:

If to Buyer:

c/o Allied Physicians of California IPA
1668 S. Garfield Ave, 2nd Fl.
Alhambra, CA 91801
Attention: Thomas S. Lam, M.D.,
CEO E-mail: thomas.lam@nmm.cc

with a copy to (which shall not constitute notice):

Tin Kin Lee Esq.
Tin Kin Lee Law Offices
1811 Fair Oaks Ave.
South Pasadena, CA 91030
E-mail: tlee@tinkinlee.com

If to Seller:

c/o Crown City Medical Group
2589 E. Washington Blvd. Pasadena, CA 91107
Attention: Dr. Kevin Tyson
E-mail: kevintysonmd@gmail.com

with a copy to (which shall not constitute notice):

Munger, Tolles & Olson LLP
350 South Grand Avenue
50th Floor
Los Angeles, CA 90071
Attention: Mark H. Kim, Esq.
E-mail: mark.kim@mto.com

or to such other persons or addresses as the person to whom notice is given may have previously furnished to the other in writing in the manner set forth above (provided that notice of any change of address shall be effective only upon receipt thereof).

11.3. Entire Agreement. This Agreement, including the Exhibit attached hereto, the Disclosure Schedules and any agreement, certificate, instrument or other document executed and delivered in connection herewith, and the Confidentiality Agreement, constitute the entire agreement and understanding of the parties hereto, and supersede all other prior covenants, agreements, undertakings, obligations, promises, arrangements, communications, representations and warranties, whether oral or written, by any party hereto or by any shareholder, director, officer, employee, agent, Affiliate or representative of either party hereto.

11.4. Confidentiality. The disclosure of confidential or proprietary information (including the existence, subject matter and terms and conditions of this Agreement) by Seller or Buyer to the other pursuant to this Agreement shall be governed by the terms and conditions of the Confidentiality Agreement, which shall be binding on both Buyer and Seller. If this Agreement is, for any reason, terminated prior to the Closing, the Confidentiality Agreement and the provisions of this Section 11.4 shall nonetheless continue to be of full force and effect as to both Buyer and Seller.

11.5. Governing Law. The parties hereto expressly agree that all the terms and conditions hereof shall be governed by and construed and enforced in accordance with the Laws of the State of California.

11.6. Enforcement. The parties hereto agree that prior to the Closing, money damages or other remedies at law would not be sufficient or adequate remedy for any breach or violation of, or default under, this Agreement by them and that in addition to all other remedies available to them prior to the Closing, each of them shall, prior to the Closing, be entitled to the fullest extent permitted by law to an injunction restraining such breach, violation or default and to other equitable relief, including specific performance, without bond or other security being required.

11.7. Consent to Jurisdiction; Venue. Each party hereto hereby:

(a) submits itself to the personal jurisdiction of (i) the courts of the State of California located in Los Angeles, California, and (ii) the United States District Court for the Central District of California, Los Angeles, with respect to any dispute arising out of this Agreement or any of the transactions contemplated hereby to the extent such courts would have subject matter jurisdiction with respect to such dispute;

(b) agrees that it or he will not attempt to deny or defeat such personal jurisdiction or venue by motion or other request for leave from any such court; and

(c) agrees that it or he will not bring any action relating to this Agreement (or any transactions contemplated by this Agreement) in any court order than such courts referred to above.

11.8. Transaction Expenses. Whether or not the transactions contemplated by this Agreement are consummated, each party hereto shall pay its own fees, costs and expenses incident to the negotiation, preparation, drafting, execution, delivery, performance and closing of this Agreement and the transactions contemplated hereby, including the fees, costs and expenses of its own counsel, accountants and other experts.

11.9. No Right of Set-Off. Buyer, for itself and for its Affiliates, successors and permitted assigns, hereby unconditionally and irrevocably waives any rights of set-off, netting, offset, recoupment or similar rights that Buyer or any of its Affiliates, successors and permitted assigns has or may have with respect to any payment to be made by Buyer pursuant to this Agreement or any agreement, certificate, instrument or other document executed and delivered by Buyer in connection herewith.

11.10. Amendments. This Agreement may only be amended or otherwise modified by a written instrument duly executed by Buyer (by act of either Buyer Entity) and Seller.

11.11. Assignments; No Third Party Rights.

(a) Neither Buyer nor Seller may assign any of its rights, interest or obligations under this Agreement without the prior written consent of the other party and any purported assignment without such consent shall be void.

(b) Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person, other than the parties hereto, the Seller Indemnified Parties and the Buyer Indemnified Parties, any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement or any provision of this Agreement, except as expressly set forth herein. This Agreement and all of its provisions and conditions are binding upon, are for the sole and exclusive benefit of, and are enforceable by the parties hereto, the Seller Indemnified Parties and the Buyer Indemnified Parties and their respective successors and permitted assigns.

11.12. Waiver. No breach of any provision hereof shall be deemed waived unless expressly waived in writing by the party hereto who may assert such breach. No waiver that may be given by a party hereto shall be applicable except in the specific instance for which it is given. No waiver of any provision hereof shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall any such waiver constitute a continuing waiver, unless otherwise expressly provided therein. Except where a specific period for action or inaction is provided in this Agreement, neither the failure nor any delay on the part of any party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any other or further exercise thereof or the exercise of any other such right, power or privilege. The rights and remedies of the parties hereto are cumulative and not alternative.

11.13. Severability. In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision or provisions shall be ineffective only to the extent of such invalidity, illegality or unenforceability, without invalidating the remainder of such provision or provisions or the remaining provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein, unless such a construction would be unreasonable.

11.14. Time of Essence. With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence. The parties hereto acknowledge that each will be relying upon the timely performance by the other of its obligations hereunder as a material inducement to such party's execution of this Agreement.

11.15. Construction. This Agreement shall be deemed to have been drafted jointly by the parties hereto. Every term and provision of this Agreement shall be construed simply according to its fair meaning and not strictly for or against either party hereto.

11.16. Incorporation by Reference. Each Exhibit attached hereto and referred to herein is incorporated in this Agreement by reference and shall be considered part of this Agreement as if fully set forth herein, unless this Agreement expressly otherwise provides.

11.17. Headings. The descriptive headings used in this Agreement have been inserted for convenience of reference only, and are not intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

11.18. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The parties hereto agree and acknowledge that delivery of a signature by facsimile or in PDF form shall constitute execution by such signatory.

11.19. Counsel. BY SIGNING THIS AGREEMENT, EACH PARTY HERETO EXPRESSLY AGREES AND ACKNOWLEDGES THAT IT OR HE (A) HAS READ THIS AGREEMENT CAREFULLY, (B) IS SIGNING THIS AGREEMENT KNOWINGLY AND VOLUNTARILY, (C) HAS BEEN, OR HAS HAD THE OPPORTUNITY TO BE, REPRESENTED BY INDEPENDENT LEGAL COUNSEL OF ITS OR HIS OWN CHOOSING REGARDING THE NEGOTIATION AND EXECUTION OF THIS AGREEMENT AND ITS OR HIS RIGHTS AND OBLIGATIONS HEREUNDER, AND (D) FULLY UNDERSTANDS THE TERMS AND CONDITIONS CONTAINED HEREIN. FURTHERMORE, SELLER EXPRESSLY AGREES AND ACKNOWLEDGES THAT MUNGER, TOLLES & OLSON LLP ("**MTO**") IS COUNSEL FOR THE COMPANY AND NOT FOR SELLER. IN ADDITION, EACH OF BUYER AND SELLER HEREBY EXPRESSLY AGREES AND ACKNOWLEDGES THAT MTO MAY, FOLLOWING THE CLOSING, REPRESENT SELLER IN CONNECTION WITH ANY POST-CLOSING MATTER (INCLUDING ANY ESCROW MATTER, CLAIM, DISPUTE, LITIGATION OR PROCEEDING) ARISING OUT OF OR RELATING TO THIS AGREEMENT, INCLUDING UNDER ANY AGREEMENT CONTEMPLATED BY THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, NOTWITHSTANDING ITS CURRENT REPRESENTATION OF THE COMPANY, AND BUYER, ON BEHALF OF ITSELF AND, FOLLOWING THE CLOSING, THE COMPANY HEREBY EXPRESSLY CONSENTS THERETO AND IRREVOCABLY WAIVES (AND WILL NOT ASSERT) ANY CONFLICT OF INTEREST OR ANY OBJECTION ARISING THEREFROM OR RELATING THERETO.

11.20. Buyer. For the avoidance of doubt, each Buyer Entity shall be jointly and severally liable for all Liabilities of Buyer and either Buyer Entity under this Agreement. Each Buyer Entity expressly agrees and acknowledges that either Buyer Entity has the authority to act singly on behalf of, and bind, Buyer and, in so doing, is acting on behalf of, and binding, Buyer and both Buyer Entities. Seller and Escrow Agent may each rely on the agreement, notice, consent, approval, waiver, acceptance, designation, request, direction or instruction (including instruction for escrow release) of one Buyer Entity as the agreement, notice, consent, approval, waiver, acceptance, designation, request, direction or instruction (including instruction for escrow release) of Buyer, binding on the other Buyer Entity, without the need to seek an agreement, notice, consent, approval, waiver, acceptance, designation, request, direction or instruction (including instruction for escrow release) from the other Buyer Entity. Similarly, any deliveries made by Seller or Escrow Agent to one Buyer Entity shall be deemed to have been delivered to Buyer (and the other Buyer Entity) without the need to make such delivery to the other Buyer Entity.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, the parties hereto have entered into and signed this Agreement as of the date and year first above written.

BUYER ENTITY

ALLIED PHYSICIANS OF CALIFORNIA, A
PROFESSIO AL MEDICAL CORPORATION

By: /s/ Kenneth T. Sim 3/15/19
Name: Kenneth T. SIM
Title: Chairman, Allied Pacific IPA

BUYER ENTITY

APC-LSMA DESIGNATED SHAREHOLDER MEDICAL CORPORATION

By: /s/ THOMAS LAM 3/15/19
Name: THOMAS LAM
Title: CEO 3/15/2019

SELLER

By: /s/ KEVIN TYSON 3/15/19
Name: Dr. Kevin Tyson

EXHIBIT 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934

I, Thomas S. Lam, 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 15(d)-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financing reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

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

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

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

Date: May 10, 2019

/s/ Thomas S. Lam
Thomas S. Lam
Chief Executive Officer

EXHIBIT 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934

I, 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 15(d)-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financing reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

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

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

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

Date: May 10, 2019

/s/ Eric Chin
Eric Chin
Chief Financial Officer

EXHIBIT 32

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

We, the undersigned duly elected and acting Chief Executive Officer and Chief Financial Officer of Apollo Medical Holdings, Inc. (the "Company"), hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2019

/s/ Thomas S. Lam
Thomas S. Lam
Chief Executive Officer

Date: May 10, 2019

/s/ Eric Chin
Eric Chin
Chief Financial Officer

A signed original of this written statement required by Section 1350 of Chapter 63 of Title 18 of the United States Code has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff on request.

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