

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 June 30, 2023

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

For the transition period from \_\_\_ to \_\_\_.

Commission File No. 001-37392



**Apollo Medical Holdings, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or Other Jurisdiction  
of Incorporation)

95-4472349  
(I.R.S. Employer  
Identification Number)

1668 S. Garfield Avenue, 2<sup>nd</sup> Floor, Alhambra, California 91801

(Address of principal executive offices and zip code)

(626) 282-0288

(Registrant's telephone number, including area code)

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

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

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

As of August 1, 2023, there were 57,562,198 shares of common stock of the registrant, \$0.001 par value per share, issued and outstanding which includes 10,299,259 treasury shares that are owned by Allied Physicians of California, a Professional Medical Corporation d.b.a. Allied Pacific of California IPA ("APC"), a consolidated affiliate of Apollo Medical Holdings, Inc. These shares are legally issued and outstanding, but treated as treasury shares for accounting purposes.

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APOLLO MEDICAL HOLDINGS, INC.

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## Glossary

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

120 Hellman	120 Hellman LLC
Accountable Health Care	Accountable Health Care IPA, a Professional Medical Corporation
AAMG	All-American Medical Group
AHMC	AHMC Healthcare Inc.
AIPBP	All-Inclusive Population-Based Payments
AKM	AKM Medical Group, Inc.
Alpha Care	Alpha Care Medical Group, Inc.
AMG	AMG, a Professional Medical Corporation
AMG Properties	AMG Properties, LLC
AMH	ApolloMed Hospitalists, a Medical Corporation
AMM	Apollo Medical Management, Inc.
AP-AMH	AP-AMH Medical Corporation
AP-AMH 2	AP-AMH 2 Medical Corporation
APAACO	APA ACO, Inc.
APC	Allied Physicians of California, a Professional Medical Corporation
APCMG	Access Primary Care Medical Group
APC-LSMA	APC-LSMA Designated Shareholder Medical Corporation
BAHA	Bay Area Hospitalist Associates
CAIPA MSO	CAIPA MSO, LLC
CDSC	Concourse Diagnostic Surgery Center, LLC
CMS	Centers for Medicare & Medicaid Services
DMHC	California Department of Managed Healthcare
DMG	Diagnostic Medical Group of Southern California
GPDC	Global and Professional Direct Contracting
HMSO	Health Source MSO Inc., a California corporation
ICC	AHMC International Cancer Center, a Medical Corporation
IPA	independent practice association
Jade	Jade Health Care Medical Group, Inc.
LMA	LaSalle Medical Associates
MMG	Maverick Medical Group, Inc.
MPP	Medical Property Partners, LLC
MSSP	Medicare Shared Savings Program
NGACO	Next Generation Accountable Care Organization
NMM	Network Medical Management, Inc.
PMIOC	Pacific Medical Imaging and Oncology Center, Inc.
SCHC	Southern California Heart Centers
Sun Labs	Sun Clinical Laboratories
Tag 6	Tag-6 Medical Investments Group, LLC
Tag 8	Tag-8 Medical Investments Group, LLC
UCAP	Universal Care Acquisition Partners, LLC
UCI	Universal Care, Inc.
VIE	variable interest entity
ZLL	ZLL Partners, LLC

## INTRODUCTORY NOTE

Unless the context dictates otherwise, references in this Quarterly Report on Form 10-Q to the “Company,” “we,” “us,” “our,” and similar words are references to Apollo Medical Holdings, Inc., a Delaware corporation (“ApolloMed”), 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 Report, including statements describing the participation of APA ACO, Inc. (“APAACO”) in the Global and Professional Direct Contracting Model or the ACO Realizing Equity, Access, and Community Health Model.

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

### NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including, but not limited to, any statements about our business, financial condition, operating results, plans, objectives, expectations, and intentions, any projections of earnings, revenue, earnings before interest, taxes, depreciation, and amortization (“EBITDA”), Adjusted EBITDA, or other financial items, such as our projected capitation from CMS and our future liquidity; any statements of any plans, strategies, and objectives of management for future operations, such as the material opportunities that we believe exist for our Company; any statements concerning proposed services, developments, mergers, or acquisitions; any statements regarding the outlook on the GPDC Model, ACO REACH Model, or strategic transactions; any statements regarding management’s view of future expectations and prospects for us; any statements about prospective adoption of new accounting standards or effects of changes in accounting standards; any statements regarding our efforts to remediate the material weakness in our internal control over financial reporting and the timing of remediation; any statements regarding future economic conditions or performance; any statements of belief; any statements of assumptions underlying any of the foregoing; and other statements that are not historical facts. Forward-looking statements may be identified by the use of forward-looking terms, such as “anticipate,” “could,” “can,” “may,” “might,” “potential,” “predict,” “should,” “estimate,” “expect,” “project,” “believe,” “think,” “plan,” “envision,” “intend,” “continue,” “target,” “seek,” “contemplate,” “budgeted,” “will,” or “would,” and the negative of such terms, other variations on such terms or other similar or comparable words, phrases, or terminology. These forward-looking statements present our estimates and assumptions only as of the date of this Quarterly Report on Form 10-Q and are subject to change.

Forward-looking statements involve risks and uncertainties, many of which are difficult to predict and are outside of our control, and are based on the current beliefs, expectations, and certain assumptions of management. Some or all of such beliefs, expectations, and assumptions may not materialize or may vary significantly from actual results. Such statements are qualified by important economic, competitive, governmental, and technological factors that could cause our business, strategy, or actual results or events to differ materially from those in our forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in our Annual Report on Form 10-K/A for the year ended December 31, 2022, filed with the Securities and Exchange Commission (the “SEC”) on August 9, 2023, including the risk factors discussed under the heading “Risk Factors” in Part I, Item IA thereof. Although we believe the expectations reflected in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change, and significant risks and uncertainties that could cause actual conditions, outcomes, and results to differ materially from those indicated by such statements. Any forward-looking statement made by the Company in this Form 10-Q speaks only as of the date on which it is made. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable securities laws.

## PART I - FINANCIAL INFORMATION

**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS**

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
	<b>(Unaudited)</b>	<b>As restated</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 293,921	\$ 288,027
Restricted cash	345	—
Investments in marketable securities	3,789	5,567
Receivables, net	66,927	49,631
Receivables, net – related parties	82,820	65,147
Other receivables	1,201	1,834
Prepaid expenses and other current assets	15,087	14,798
Loans receivable	973	996
Loan receivable – related party	—	2,125
<b>Total current assets</b>	<b>465,063</b>	<b>428,125</b>
<b>Non-current assets</b>		
Land, property, and equipment, net	123,859	108,536
Intangible assets, net	74,421	76,861
Goodwill	274,029	269,053
Income taxes receivable, non-current	15,943	15,943
Investments in other entities – equity method	45,831	40,299
Investments in privately held entities	2,896	896
Operating lease right-of-use assets	17,905	20,444
Other assets	7,229	6,056
<b>Total non-current assets</b>	<b>562,113</b>	<b>538,088</b>
<b>Total assets<sup>(1)</sup></b>	<b>\$ 1,027,176</b>	<b>\$ 966,213</b>
<b>Liabilities, mezzanine equity and equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 49,904	\$ 49,562
Fiduciary accounts payable	8,603	8,065
Medical liabilities	100,047	81,255
Income taxes payable	20,354	4,279
Dividend payable	638	664
Finance lease liabilities	591	594
Operating lease liabilities	3,027	3,572
Current portion of long-term debt	2,630	619

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
	<b>(Unaudited)</b>	<b>As restated</b>
Total current liabilities	185,794	148,610
<b>Non-current liabilities</b>		
Deferred tax liability	12,335	14,217
Finance lease liabilities, net of current portion	1,078	1,275
Operating lease liabilities, net of current portion	17,852	19,915
Long-term debt, net of current portion and deferred financing costs	205,136	203,389
Other long-term liabilities	21,383	20,260
Total non-current liabilities	257,784	259,056
<b>Total liabilities<sup>(1)</sup></b>	<b>443,578</b>	<b>407,666</b>
<b>Commitments and contingencies (Note 12)</b>		
<b>Mezzanine equity</b>		
Non-controlling interest in Allied Physicians of California, a Professional Medical Corporation	13,845	14,237
<b>Stockholders' equity</b>		
Series A Preferred stock, \$0.001 par value per share; 5,000,000 shares authorized (inclusive of all preferred stock, including Series B Preferred stock); 1,111,111 issued and zero outstanding	—	—
Series B Preferred stock, \$0.001 par value per share; 5,000,000 shares authorized (inclusive of all preferred stock, including Series A Preferred stock); 555,555 issued and zero outstanding	—	—
Common stock, \$0.001 par value per share; 100,000,000 shares authorized, 46,553,517 and 46,575,699 shares issued and outstanding, excluding 10,569,340 and 10,299,259 treasury shares, as of June 30, 2023 and December 31, 2022, respectively	47	47
Additional paid-in capital	357,246	360,097
Retained earnings	208,719	182,417
Total stockholders' equity	566,012	542,561
Non-controlling interest	3,741	1,749
Total equity	569,753	544,310
<b>Total liabilities, mezzanine equity and equity</b>	<b>\$ 1,027,176</b>	<b>\$ 966,213</b>

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



<sup>(1)</sup>The Company's consolidated balance sheets include the assets and liabilities of its consolidated VIEs. The consolidated balance sheets include total assets that can be used only to settle obligations of the Company's consolidated VIEs totaling \$520.8 million and \$523.7 million as of June 30, 2023 and December 31, 2022, respectively, and total liabilities of the Company's consolidated VIEs for which creditors do not have recourse to the general credit of the primary beneficiary of \$136.2 million and \$131.8 million as of June 30, 2023 and December 31, 2022, respectively. The VIE balances do not include \$325.5 million of investment in affiliates and \$5.4 million of amounts due to affiliates as of June 30, 2023 and \$304.8 million of investment in affiliates and \$30.3 million of amounts due from affiliates as of December 31, 2022 as these are eliminated upon consolidation and not presented within the consolidated balance sheets. See Note 16 — "Variable Interest Entities (VIEs)" for further detail.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022 (Restated)	2023	2022 (Restated)
<b>Revenue</b>				
Capitation, net	\$ 300,549	\$ 227,623	\$ 600,753	\$ 449,682
Risk pool settlements and incentives	20,121	18,793	33,583	36,868
Management fee income	12,493	9,984	22,389	20,457
Fee-for-service, net	13,262	11,740	25,324	22,835
Other revenue	1,784	1,557	3,404	3,112
<b>Total revenue</b>	<b>348,209</b>	<b>269,697</b>	<b>685,453</b>	<b>532,954</b>
<b>Operating expenses</b>				
Cost of services, excluding depreciation and amortization	292,876	230,070	582,273	450,798
General and administrative expenses	24,056	19,894	45,236	31,837
Depreciation and amortization	4,248	4,351	8,541	8,725
<b>Total expenses</b>	<b>321,180</b>	<b>254,315</b>	<b>636,050</b>	<b>491,360</b>
<b>Income from operations</b>	<b>27,029</b>	<b>15,382</b>	<b>49,403</b>	<b>41,594</b>
<b>Other income (expense)</b>				
Income from equity method investments	2,723	1,512	5,207	2,945
Interest expense	(3,632)	(1,854)	(6,901)	(2,927)
Interest income	3,327	421	6,335	467
Unrealized gain (loss) on investments	859	(1,866)	(5,533)	(10,829)
Other income	1,185	3,034	2,389	3,647
<b>Total other income (expense), net</b>	<b>4,462</b>	<b>1,247</b>	<b>1,497</b>	<b>(6,697)</b>
<b>Income before provision for income taxes</b>	<b>31,491</b>	<b>16,629</b>	<b>50,900</b>	<b>34,897</b>
Provision for income taxes	14,009	5,352	20,930	12,170
<b>Net income</b>	<b>17,482</b>	<b>11,277</b>	<b>29,970</b>	<b>22,727</b>
Net income (loss) attributable to non-controlling interest	4,312	(673)	3,668	(2,987)
<b>Net income attributable to Apollo Medical Holdings, Inc.</b>	<b>\$ 13,170</b>	<b>\$ 11,950</b>	<b>26,302</b>	<b>\$ 25,714</b>
<b>Earnings per share – basic</b>	<b>\$ 0.28</b>	<b>\$ 0.27</b>	<b>\$ 0.57</b>	<b>\$ 0.57</b>
<b>Earnings per share – diluted</b>	<b>\$ 0.28</b>	<b>\$ 0.26</b>	<b>\$ 0.56</b>	<b>\$ 0.56</b>

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

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

	Mezzanine Equity – Non-controlling Interest in APC	Common Stock Outstanding		Additional Paid- in Capital	Retained Earnings	Non-controlling Interest	Stockholders' Equity
		Shares	Amount				
Balance at January 1, 2023 (restated)	\$ 14,237	46,575,699	\$ 47	\$ 360,097	\$ 182,417	\$ 1,749	\$ 544,310
Net (loss) income (restated)	(1,729)	—	—	—	13,132	1,085	14,217
Shares issued for vesting of restricted stock awards	—	57,825	—	(109)	—	—	(109)
Shares issued for exercise of options and warrants	—	125,000	—	1,250	—	—	1,250
Purchase of treasury shares	—	(270,081)	—	(9,539)	—	—	(9,539)
Share-based compensation	—	—	—	3,445	—	—	3,445
Dividends	—	—	—	—	—	(120)	(120)
Transfer of common control entities (restated)	1,769	—	—	(2,447)	—	—	(2,447)
Balance at March 31, 2023 (restated)	\$ 14,277	46,488,443	\$ 47	\$ 352,697	\$ 195,549	\$ 2,714	\$ 551,007
Net income	3,245	—	—	—	13,170	1,067	14,237
Purchase of non-controlling interest	—	—	—	—	—	(50)	(50)
Sale of non-controlling interest	—	—	—	—	—	106	106
Shares issued for vesting of restricted stock awards	—	42,734	—	(464)	—	—	(464)
Share-based compensation	—	—	—	4,213	—	—	4,213
Issuance of shares for business acquisition	—	22,340	—	800	—	—	800
Dividends	(601)	—	—	—	—	(96)	(96)
Tax impact from dividends	(3,076)	—	—	—	—	—	—
<b>Balance at June 30, 2023</b>	<b>\$ 13,845</b>	<b>46,553,517</b>	<b>\$ 47</b>	<b>\$ 357,246</b>	<b>\$ 208,719</b>	<b>\$ 3,741</b>	<b>\$ 569,753</b>

	Mezzanine Equity – Non-controlling Interest in APC	Common Stock Outstanding		Additional Paid- in Capital	Retained Earnings	Non-controlling Interest	Stockholders' Equity
		Shares	Amount				
Balance at January 1, 2022 (restated)	\$ 56,535	44,630,873	\$ 45	\$ 310,876	\$ 137,246	\$ 5,940	\$ 454,107
Net (loss) income (restated)	(3,252)	—	—	—	13,764	938	14,702
Purchase of non-controlling interest	—	—	—	—	—	(200)	(200)
Sale of non-controlling interest	—	—	—	—	—	36	36
Share buy back	(230)	—	—	—	—	—	—
Shares issued for vesting of restricted stock awards	—	81,779	—	—	—	—	—
Shares issued for exercise of options and warrants	—	124,735	—	1,573	—	—	1,573
Share-based compensation	—	—	—	3,055	—	—	3,055
Issuance of shares for business acquisition	—	18,756	—	1,000	—	—	1,000
Cancellation of restricted stock awards	—	(11,084)	—	(457)	—	—	(457)
Dividends	—	—	—	—	—	(1,178)	(1,178)
Balance at March 31, 2022 (restated)	\$ 53,053	44,845,059	\$ 45	\$ 316,047	\$ 151,010	\$ 5,536	\$ 472,638
Net (loss) income (restated)	(2,019)	—	—	—	11,950	1,346	13,296
Shares issued for vesting of restricted stock awards	—	108,933	—	(253)	—	—	(253)
Shares issued for exercise of options and warrants	—	15,718	—	165	—	—	165
Purchase of treasury shares	—	(250,000)	—	(9,250)	—	—	(9,250)
Share-based compensation	—	—	—	3,920	—	—	3,920
Investment in non-controlling interest	—	—	—	—	—	371	371
Dividends	(10,000)	—	—	—	—	(1,374)	(1,374)
<b>Balance at June 30, 2022 (restated)</b>	<b>\$ 41,034</b>	<b>44,719,710</b>	<b>\$ 45</b>	<b>\$ 310,629</b>	<b>\$ 162,960</b>	<b>\$ 5,879</b>	<b>\$ 479,513</b>

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

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

	Six Months Ended June 30,	
	2023	2022 (Restated)
<b>Cash flows from operating activities</b>		
Net income	\$ 29,970	\$ 22,727
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,541	8,725
Amortization of debt issuance cost	474	474
Share-based compensation	7,658	6,975
Gain on sale of equity securities	—	(2,272)
Unrealized loss on investments	5,485	13,659
Income from equity method investments	(5,207)	(2,945)
Unrealized loss (gain) on interest rate swaps	49	(2,830)
Deferred tax	(3,746)	3,361
Changes in operating assets and liabilities, net of business combinations:		
Receivables, net	(17,296)	(56,202)
Receivables, net – related parties	(17,673)	(12,151)
Other receivables	1,229	(3,580)
Prepaid expenses and other current assets	(2,277)	4,109
Right-of-use assets	3,240	2,290
Other assets	(21)	1,790
Accounts payable and accrued expenses	(2,864)	14,181
Fiduciary accounts payable	538	(4,464)
Medical liabilities	13,335	55,106
Income taxes payable/receivable	15,396	(14,010)
Operating lease liabilities	(3,309)	(2,254)
Other long-term liabilities	—	370
Net cash provided by operating activities	33,522	33,059
<b>Cash flows from investing activities</b>		
Payments for business and asset acquisitions, net of cash acquired	350	(858)
Proceeds from repayment of loans receivable – related parties	2,143	4,030
Purchase of marketable securities	(2,022)	(1,750)
Purchase of investments - privately held	(2,000)	—
Purchase of investments - equity method	(325)	—
Purchases of property and equipment	(17,367)	(18,845)
Proceeds from sale of marketable securities	—	6,480
Distribution from investment - equity method	—	400
Contribution to investment - equity method	—	(1,685)
Net cash used in investing activities	(19,221)	(12,228)
<b>Cash flows from financing activities</b>		
Dividends paid	(842)	(12,556)
Repayment of long-term debt	(312)	(200)
Payment of finance lease obligations	(303)	(283)

	Six Months Ended June 30,	
	2023	2022
Proceeds from the exercise of stock options and warrants	1,250	1,738
Repurchase of shares	(9,539)	(9,480)
Proceeds from sale of non-controlling interest	—	38
Purchase of non-controlling interest	(50)	(199)
Borrowings on loans	1,734	1,237
Net cash used in financing activities	(8,062)	(19,705)
Net increase in cash and cash equivalents	6,239	1,126
<b>Cash and cash equivalents beginning of period</b>	<b>288,027</b>	<b>233,097</b>
<b>Cash and cash equivalents end of period</b>	<b>\$ 294,266</b>	<b>\$ 234,223</b>
<b>Supplementary disclosures of cash flow information</b>		
Cash paid for income taxes	\$ 7,881	\$ 22,311
Cash paid for interest	6,264	2,231
<b>Supplemental disclosures of non-cash investing and financing activities</b>		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 701	\$ —
Tax impact from dividends	\$ 3,076	\$ —
Fixed asset obtained in exchange for finance lease liabilities	\$ —	\$ 398
Common stock issued in business combination	\$ —	\$ 1,000
Mortgage loan	\$ —	\$ 16,275

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

	June 30,	
	2023	2022
Cash and cash equivalents	\$ 293,921	\$ 234,223
Restricted cash – current	345	—
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	\$ 294,266	\$ 234,223

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

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

**1. Description of Business**

***Overview***

Apollo Medical Holdings, Inc. (“ApolloMed”) is a leading physician-centric, technology-powered, risk-bearing healthcare company. Leveraging its proprietary end-to-end technology solutions, ApolloMed operates an integrated healthcare delivery platform that enables providers to participate successfully in value-based care arrangements, thus empowering them to deliver high-quality care to patients in a cost-effective manner. ApolloMed was merged with Network Medical Management (“NMM”) in December 2017 (the “2017 Merger”). As a result of the 2017 Merger, NMM became a wholly owned subsidiary of ApolloMed, and the former NMM shareholders own a majority of the issued and outstanding common stock of ApolloMed and maintain control of the board of directors. Unless the context dictates otherwise, references in these notes to the financial statements, the “Company,” “we,” “us,” “our,” and similar words are references to ApolloMed and its consolidated subsidiaries and affiliated entities, as appropriate, including its consolidated variable interest entities (“VIEs”).

Headquartered in Alhambra, California, ApolloMed’s subsidiaries and VIEs include management services organizations (“MSOs”), affiliated independent practice associations (“IPAs”), an accountable care organization (“ACO”) participating in the ACO Realizing Equity, Access, and Community Health (“ACO REACH”) model, and clinical operations. Together, ApolloMed provides value-based care enablement services and care delivery with our consolidated care partners. 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.

***Segments***

The Company’s reportable segments changed from one to three in the first quarter of 2023 as a result of certain changes to the information regularly provided to the Company’s chief operating decision makers (“CODMs”) when reviewing the Company’s performance as well as an effort to provide additional transparency to investors and other financial statement users. The three segments identified by the Company are Care Enablement, Care Partners and Care Delivery, which are described as follows:

***Care Enablement***

Our Care Enablement segment is an integrated, end-to-end clinical and administrative platform, powered by our proprietary technology suite, which provides operational, clinical, financial, technology, management, and strategic services in order to enable success in the delivery of high-quality, value-based care for providers and payers. We provide solutions to providers, including independent physicians, provider and medical groups, and accountable care organizations, and payers, including health plans and other risk-bearing organizations. Our platform meets providers and payers where they are, with a wide spectrum of solutions across the total cost of care risk spectrum, ranging from solutions for fee-for-service entities to global risk-bearing entities, and across patient types, including Medicare, Medicaid, commercial, and exchange-insured patients. This segment includes our wholly owned subsidiaries which operate as management services organizations, NMM and Apollo Medical Management (“AMM”), which enter into long-term management and/or administrative services agreements with providers and payers. By leveraging our care enablement platform, providers and payers can improve their ability to deliver high-quality care to their patients and achieve better patient outcomes.

***Care Partners***

Our Care Partners segment is focused on building and managing high-quality and high-performance provider networks by partnering with, empowering, and investing in strong provider partners with a shared vision for coordinated care delivery. By leveraging our unique care enablement platform and ability to recruit, empower, and incentivize physicians to effectively manage total cost of care, we are able to organize partnered providers into successful multi-payer risk-bearing organizations which take on varying levels of risk based on total cost of care across membership in all lines of business, including Medicare, Medicaid, commercial, and exchange. Through our network of IPAs, ACOs, and Restricted Knox-Keene licensed health plan, our healthcare delivery entities are responsible for coordinating and delivering high-quality care to our patients.

Our consolidated IPAs consist of the following: (i) Allied Physicians of California, a Professional Medical Corporation d.b.a. Allied Pacific of California IPA (“APC”), (ii) Alpha Care Medical Group, Inc. (“Alpha Care”), (iii) Accountable Health Care IPA, a Professional Medical Corporation (“Accountable Health Care”), (iv) Jade Health Care Medical Group, Inc. (“Jade”), (v) Access Primary Care Medical Group (“APCMG”), and (vi) All American Medical Group (“AAMG”). The Company’s ACO operates under the APA ACO, Inc. (“APAACO”) brand and participates in the Centers for Medicare & Medicaid Services (“CMS”) program that allows provider groups to assume higher levels of financial risk and potentially achieve a higher reward from participation in the program’s attribution-based risk-sharing model. The Company’s Restricted Knox-Keene licensed health plan is held by For Your Benefit Inc. (“FYB”).

#### *Care Delivery*

Our Care Delivery segment is a patient-centric, data-driven care delivery organization focused on delivering high-quality and accessible care to all patients. Our care delivery organization includes primary care, multi-specialty care, and ancillary care services. This segment includes our primary care clinics, operating under the AMG, a Professional Medical Corporation (“AMG”) and Valley Oaks Medical Group (“VOMG”) brands, our multi-specialty care clinics and medical groups, operating under the ApolloMed Hospitalists, a Medical Corporation (“AMH”), Southern California Heart Centers, a Medical Corporation (“SCHC”), and AllCare Women’s Health brands, and our ancillary service providers, operating under the 1 World Medicine Urgent Care Corporation (“1 World”), DMG, Concourse Diagnostic Surgery Center, LLC (“CDSC”), and Sun Clinical Laboratories (“Sun Labs”) brands.

On February 23, 2023, AP-AMH 2 purchased 100% of the shares of capital stock of AMG, 1 World, and Eleanor Leung M.D., a Professional Medical Corporation from APC-LSMA. As a result of these purchases, these entities are consolidated entities of AP-AMH 2. AMG provides professional and post-acute care services to patients through its network of doctors and nurse practitioners, 1 World is an urgent care center, and Eleanor Leung M.D. provides specialized care for women’s health operating as AllCare Women’s Health.

The Company has a financing obligation to purchase the remaining equity interest in DMG and Sun Labs within three years from the date the Company consolidated DMG and Sun Labs. The purchase of the remaining DMG equity value is considered a financing obligation with a carrying value of \$8.5 million as of June 30, 2023 and December 31, 2022. The purchase of the remaining Sun Labs equity value is considered a financing obligation with a carrying value of \$7.6 million and \$5.8 million as of June 30, 2023 and December 31, 2022, respectively. For the six months ended June 30, 2023, the change in the fair value of Sun Labs equity value obligation is \$1.8 million and is presented in unrealized loss on investments in the accompanying consolidated statement of income. As the financing obligations are embedded in the non-controlling interest, the non-controlling interests are recognized in other long-term liabilities in the accompanying consolidated balance sheets.

#### *Other Affiliates*

Our other affiliates are not included as a reportable segment and primarily consist of real estate operations.

APC owns a 100% equity interest in each of Medical Property Partners, LLC (“MPP”), AMG Properties, LLC (“AMG Properties”), ZLL Partners, LLC (“ZLL”), Tag-8 Medical Investment Group, LLC (“Tag 8”), and Tag-6 Medical Investment Group, LLC (“Tag 6”), and a 50% interest in each of One MSO, LLC (“One MSO”). These entities are deemed Excluded Assets that are solely for the benefit of APC and its shareholders. As such, any income pertaining to APC’s interests in these properties has no impact on the Series A Dividend payable by APC to AP-AMH Medical Corporation, and consequently will not affect net income attributable to ApolloMed.



## **2. Basis of Presentation and Summary of Significant Accounting Policies**

### ***Basis of Presentation***

The accompanying consolidated balance sheet at December 31, 2022 has been derived from the Company's audited consolidated financial statements, but does not include all annual disclosures required by generally accepted accounting principles in the United States of America ("U.S. GAAP"). The accompanying unaudited consolidated financial statements as of June 30, 2023, and for the three and six months ended June 30, 2023 and 2022, have been prepared in accordance with U.S. GAAP for interim financial statements and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, these unaudited consolidated financial statements 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/A for the year ended December 31, 2022, as filed with the SEC on August 9, 2023. In the opinion of management, all material adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been made to make the consolidated financial statements not misleading, as required by Regulation S-X, Rule 10-01. Operating results for the three and six months ended June 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023, or any future periods.

### ***Principles of Consolidation***

The consolidated balance sheets as of June 30, 2023 and December 31, 2022, and the consolidated statements of income for the three and six months ended June 30, 2023 and 2022, include (i) ApolloMed, ApolloMed's consolidated subsidiaries, NMM, AMM, APAACO, Orma Health Inc, Provider Growth Solutions, LLC, and FYB and its VIEs, AP-AMH, AP-AMH 2, Sun Labs, DMG, and Valley Oaks Medical Group ("VOMG"); (ii) AP-AMH 2's consolidated subsidiaries, APCMG, Jade, AAMG, AMG, 1 World, and Eleanor Leung M.D., a Professional Medical Corporation; (iii) AMM's consolidated VIEs, SCHC and AMH; (iv) NMM's VIE, APC; (v) APC's consolidated subsidiaries, Universal Care Acquisition Partners, LLC ("UCAP"), MPP, AMG Properties, ZLL, ICC, 120 Hellman LLC ("120 Hellman") and its VIEs, CDSC, APC-LSMA, Tag 8, and Tag 6; and (vi) APC-LSMA's consolidated subsidiaries, Alpha Care and Accountable Health Care.

The unaudited consolidated interim financial statements have been prepared under the assumption that users of the interim financial data have either read or have access to our audited consolidated financial statements for the fiscal year ended December 31, 2022. Accordingly, certain disclosures that would substantially duplicate the disclosures contained in our December 31, 2022, audited consolidated financial statements have been omitted. These unaudited consolidated interim financial statements should be read in conjunction with our audited consolidated financial statements for the fiscal year ended December 31, 2022.

### ***Restatement of Previously Issued Financial Statements***

The Company filed Amendment No. 1 on Form 10-K ("Form 10-K/A") and Amendment No. 1 on Form 10-Q ("Form 10-Q/A") with the SEC on August 9, 2023 to restate previously issued consolidated financial statements and financial information as of December 31, 2022 and 2021 and for the fiscal years ended December 31, 2022, 2021 and 2020 in the Form 10-K/A and unaudited consolidated financial statements and financial information as of March 31, 2023 and for each of the three months ended March 31, 2023 and 2022 in the Form 10-Q/A. The Form 10-K/A also provided restated interim financial information for the quarterly fiscal 2022 periods.

### ***Use of Estimates***

The preparation of the consolidated financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include collectability of receivables, recoverability of long-lived and intangible assets, business combination and goodwill valuation and impairment, accrual of medical liabilities (incurred but not reported (“IBNR”) claims), determination of full-risk and shared-risk revenue and receivables (including constraints, completion factors and historical margins), income tax-valuation allowance, 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.

#### ***Variable Interest Entities***

On an ongoing basis, as circumstances indicate the need for reconsideration, the Company evaluates each legal entity that is not wholly owned by the Company in accordance with the consolidation guidance. The evaluation considers all of the Company’s variable interests, including equity ownership, as well as management services agreements. To fall within the scope of the consolidation guidance, an entity must meet both of the following criteria:

- The entity has a legal structure that has been established to conduct business activities and to hold assets; such entity can be in the form of a partnership, limited liability company, or corporation, among others; and
- The Company has a variable interest in the legal entity; i.e., variable interests that are contractual, such as equity ownership, or other financial interests that change with changes in the fair value of the entity’s net assets.

If an entity does not meet both criteria above, the Company applies other accounting guidance, such as the cost or equity method of accounting. If an entity does meet both criteria above, the Company evaluates such entity for consolidation under either the variable interest model if the legal entity meets any of the following characteristics to qualify as a VIE, or under the voting model for all other legal entities that are not VIEs.

A legal entity is determined to be a VIE if it has any of the following three characteristics:

- The entity does not have sufficient equity to finance its activities without additional subordinated financial support;
- The entity is established with non-substantive voting rights (i.e., where the entity deprives the majority economic interest holder(s) of voting rights); or
- The equity holders, as a group, lack the characteristics of a controlling financial interest. Equity holders meet this criterion if they lack any of the following:
  - The power, through voting rights or similar rights, to direct the activities of the entity that most significantly influence the entity’s economic performance, as evidenced by:
    - Substantive participating rights in the day-to-day management of the entity’s activities; or
    - Substantive kick-out rights over the party responsible for significant decisions;
    - The obligation to absorb the entity’s expected losses; or
    - The right to receive the entity’s expected residual returns.

If the Company determines that any of the three characteristics of a VIE are met under Accounting Standards Codification (“ASC”) 810, *Consolidation*, the Company will conclude that the entity is a VIE and evaluate it for consolidation under the variable interest model.

### *Variable Interest Model*

If an entity is determined to be a VIE, the Company evaluates whether the Company is the primary beneficiary. The primary beneficiary analysis is a qualitative analysis based on power and economics. The Company consolidates a VIE if both power and benefits belong to the Company; that is, the Company (i) has the power to direct the activities of a VIE that most significantly influence the VIE's economic performance (power), and (ii) has the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE (economics). The Company consolidates VIEs whenever it is determined that the Company is the primary beneficiary. Refer to Note 16 — "Variable Interest Entities (VIEs)" to the consolidated financial statements for information on the Company's consolidated VIEs. If there are variable interests in a VIE, but the Company is not the primary beneficiary, the Company may account for the investment using the equity method of accounting.

### *Business Combinations*

The Company uses the acquisition method of accounting for all business combinations, which requires assets and liabilities of the acquiree to be recorded at fair value, to measure the fair value of the consideration transferred, including contingent consideration, to be determined on the acquisition date, and to account for acquisition-related costs separately from the business combination.

### *Reportable Segments*

As of June 30, 2023, the Company operates in three reportable segments: Care Enablement, Care Partners, and Care Delivery. Refer to Note 1 — "Description of Business" and Note 18 — "Segments" to the consolidated financial statements for information on the Company's segments.

### *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 and cash equivalents. As of June 30, 2023 and December 31, 2022, the Company's deposit accounts with banks exceeded the FDIC's insured limit by approximately \$326.8 million and \$324.7 million, respectively. 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*

Investments in marketable securities consist of equity securities and certificates of deposit with various financial institutions. The appropriate classification of investments is determined at the time of purchase, and such designation is reevaluated at each balance sheet date.

Certificates of deposit are reported at par value, plus accrued interest, with maturity dates greater than ninety days. As of June 30, 2023 and December 31, 2022, certificates of deposit amounted to approximately \$2.0 million and \$0, respectively. Investments in certificates of deposit are classified as Level 1 investments in the fair value hierarchy.

Equity securities are reported at fair value. These securities are classified as Level 1 in the valuation hierarchy, where quoted market prices from reputable third-party brokers are available in an active market and unadjusted. Equity securities with low trading volume are determined to not have an active market with buyers and sellers ready to trade. Accordingly, we classify such equity securities as Level 2 in the valuation hierarchy, and their valuation is based on weighted average share prices from observable market data.

Equity securities held by the Company are primarily comprised of common stock of a payor partner that completed its initial public offering (“IPO”) in June 2021 and Nutex Health Inc. (formerly known as Clinigence Holdings, Inc.) (“Nutex”). In May 2022, the Company exercised warrants from Nutex and subsequently recognized the shares within investments in marketable securities in the accompanying consolidated balance sheet. In March 2023, the contingent equity securities were settled and the Company received additional Nutex common stock. The additional common stock received from the contingent equity securities is included in investments in marketable securities in the accompanying consolidated balance sheets.

As of June 30, 2023 and December 31, 2022, the equity securities were approximately \$1.8 million and \$5.6 million, respectively, in the accompanying consolidated balance sheets. Gains and losses recognized on equity securities sold are recognized in the accompanying consolidated statements of income under other income. The components comprising total gains and losses on equity securities are as follows (in thousands) for the periods listed below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Total losses recognized on equity securities	\$ (1,348)	\$ (4,331)	\$ (5,701)	\$ (14,886)
Gains recognized on equity securities sold	—	2,272	—	2,272
Unrealized losses recognized on equity securities held at end of period	\$ (1,348)	\$ (2,059)	\$ (5,701)	\$ (12,614)

***Receivables, Receivables – Related Parties, Other Receivables and Loan Receivable - Related Party***

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

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

The Company’s loan receivable and loan receivable – related party consists of promissory notes that accrue interest per annum. As of June 30, 2023, promissory notes are expected to be collected within 12 months.

Capitation and claims receivables relate to each health plan’s capitation and are 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, which is recorded quarterly based on reports received from the Company’s hospital partners and management’s estimate of the Company’s portion of the estimated risk pool surplus for open performance years. Settlement of risk pool surplus or deficits occurs approximately 18 months after the risk pool performance year is completed. Other receivables consist of receivables from fee-for-services (“FFS”) reimbursement for patient care, certain expense reimbursements, transportation reimbursements from the hospitals, and stop-loss insurance premium reimbursements.

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

Receivables are recorded when the Company is able to determine amounts receivable under applicable contracts and agreements based on information provided and collection is reasonably likely to occur. In regard to the credit loss standard, the Company continuously monitors its collections of receivables and our expectation is that the historical credit loss experienced across our receivable portfolio is materially similar to any current expected credit losses that would be estimated under the current expected credit losses (“CECL”) model.

***Concentrations of Credit Risks***

The Company disaggregates revenue from contracts by service type and payor type. This level of detail provides useful information pertaining to how the Company generates revenue by significant revenue stream and by type of direct contracts. The consolidated statements of income present disaggregated revenue by service type. The following table presents disaggregated revenue generated by payor type for the three and six months ended June 30, 2023 and 2022 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Commercial	\$ 38,907	\$ 42,014	\$ 78,926	\$ 84,167
Medicare	222,159	142,641	438,469	276,299
Medicaid	69,112	70,635	136,451	142,299
Other third parties	18,031	14,407	31,607	30,189
Revenue	<u>\$ 348,209</u>	<u>\$ 269,697</u>	<u>\$ 685,453</u>	<u>\$ 532,954</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Payor A	*	10.3 %	*	10.5 %
Payor B	38.2 %	31.0 %	39.8 %	30.7 %

\*Less than 10% of total net revenues

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

	As of June 30, 2023	As of December 31, 2022 (Restated)
	Payor B	28.0 %
Payor C	50.0 %	52.0 %

#### ***Fair Value Measurements of Financial Instruments***

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

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

There have been no changes in Level 1, Level 2, or Level 3 classification and no changes in valuation techniques for the six months ended June 30, 2023. 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 June 30, 2023, are presented below (in thousands):

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Money market accounts*	\$ 78,647	\$ —	\$ —	\$ 78,647
Marketable securities – certificates of deposit	2,022	—	—	2,022
Marketable securities – equity securities	1,767	—	—	1,767
Interest rate swaps	—	3,116	—	3,116
Interest rate collar	—	1,202	—	1,202
<b>Total assets</b>	<b>\$ 82,436</b>	<b>\$ 4,318</b>	<b>\$ —</b>	<b>\$ 86,754</b>
<b>Liabilities</b>				
APCMG contingent consideration	\$ —	\$ —	\$ 1,000	\$ 1,000
AAMG contingent consideration (see Note 3)	—	—	5,056	5,056
VOMG contingent consideration (see Note 3)	—	—	17	17
DMG remaining equity interest purchase (see Note 1)	—	—	8,542	8,542
Sun labs remaining equity interest purchase (see Note 1)	—	—	7,631	7,631
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 22,246</b>	<b>\$ 22,246</b>

\* Included in cash and cash equivalents

The carrying amounts and fair values of the Company's financial instruments as of December 31, 2022, are presented below (in thousands):

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Money market accounts*	\$ 135,235	\$ —	\$ —	\$ 135,235
Marketable securities – equity securities	5,567	—	—	5,567
Contingent equity securities	—	—	1,900	1,900
Interest rate swaps	—	3,164	—	3,164
Total assets	\$ 140,802	\$ 3,164	\$ 1,900	\$ 145,866
<b>Liabilities</b>				
APCMG contingent consideration	\$ —	\$ —	\$ 1,000	\$ 1,000
AAMG contingent consideration (see Note 3)	—	—	5,851	5,851
VOMG contingent consideration (see Note 3)	—	—	17	17
DMG remaining equity interest purchase (see Note 1)	—	—	8,542	8,542
Sun labs remaining equity interest purchase (see Note 1)	—	—	5,849	5,849
Total liabilities	\$ —	\$ —	\$ 21,259	\$ 21,259

\* Included in cash and cash equivalents

The change in the fair value of Level 3 liabilities for the six months ended June 30, 2023 was as follows (in thousands):

	Amount
Balance at January 1, 2023	\$ 21,259
Unrealized gain recognized from change in fair value of existing Level 3 liabilities*	987
Balance at June 30, 2023	\$ 22,246

\* The change in the fair value of existing Level 3 liabilities is presented in unrealized loss on investments in the accompanying consolidated statement of income.

### Derivative Financial Instruments

#### Interest Rate Swap and Collar Agreements

The Company is exposed to interest rate risk on its floating-rate debt. The Company has entered into interest rate swap and collar agreements to effectively convert its floating-rate debt to a fixed-rate basis or to a rate within the agreed-upon range. The principal objective of these contracts is to eliminate or reduce the variability of the cash flows in interest payments associated with the Company's floating-rate debt, thus reducing the impact of interest rate changes on future interest payment cash flows. Refer to Note 9 — "Credit Facility, Bank Loans, and Lines of Credit" for further information on our debt. Interest rate swap and collar agreements are not designated as hedging instruments. Changes in the fair value on these contracts are recognized as unrealized gain or loss on investments in the accompanying consolidated statements of income and reflected in the accompanying consolidated statements of cash flows as unrealized gain or loss on interest rate swaps.

The estimated fair value of the interest rate swap was determined using Level 2 inputs. As of June 30, 2023 and December 31, 2022, the fair value of the interest rate swap was \$3.1 million and \$3.2 million, respectively, and are presented within other assets in the accompanying consolidated balance sheets.

The Company's collar agreement is designed to limit the interest rate risk associated with the Company's Revolver Loan. Under the terms of the agreement, the ceiling is 5.0% and the floor is 2.34%. The estimated fair value of the collar is determined using Level 2. As of June 30, 2023 the fair value of the collar is \$1.2 million.

#### *Contingent Equity Securities*

In addition to the common stock and warrants purchased under the stock purchase agreement between ApolloMed and Nutex, ApolloMed is entitled to additional common stock if Nutex did not pay NMM management fees exceeding a threshold by the end of December 31, 2022. The contingent equity securities are considered to be derivatives but are not designated as hedging instruments. Changes in the fair value of these contracts are recognized as unrealized gain or loss on investments in the accompanying consolidated statements of income and the accompanying consolidated statements of cash flows. The Company determined the fair value of the contingent equity security using a probability-weighted model, which includes significant unobservable inputs (Level 3). Specifically, the Company considered various scenarios of recognizing management fees and assigned probabilities to each such scenario in determining fair value. Based on the outcome, the metric was not achieved and the Company received additional common stock during the six months ended June 30, 2023. As of June 30, 2023, the common stock from the contingent equity securities is recognized within investments in marketable securities in the accompanying consolidated balance sheet. See Note 2 — "Basis of Presentation and Summary of Significant Accounting Policies - Investment in Marketable Securities" in the accompanying consolidated financial statements for information on the treatment of the marketable securities. As of December 31, 2022, the contingent equity securities were valued at \$1.9 million, and were presented within prepaid and other current assets in the accompanying consolidated balance sheets.

#### *Revenue Recognition*

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

Revenue primarily consists of capitation revenue, risk pool settlements and incentives, GPDC/ACO REACH 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.

#### *GPDC/ACO REACH Capitation Revenue*

CMS contracts with Direct Contracting Entities ("DCEs"), which are composed of healthcare providers operating under a common legal structure and accept financial accountability for the overall quality and cost of medical care furnished to Medicare FFS beneficiaries aligned to the entity. The combination of the FFS model and the GPDC and ACO REACH model changes the distribution of responsibilities, risks, costs, and rewards among CMS, DCEs, and providers. By entering into a contract with CMS, a DCE voluntarily takes on operational, financial, and legal responsibilities and risks that no party has, individually or collectively, under the existing FFS model. Each DCE bears the economic costs, and reaps the economic rewards of fulfilling its responsibilities and managing its risks as a DCE. APAACO participated in the GPDC Model for Performance Year 2022 and is currently participating in the ACO REACH model for Performance Year 2023, beginning January 1, 2023.

For each performance year, CMS will pay a total benchmark amount, determined unilaterally by CMS in advance but subject to prospective adjustments throughout the year, for the totality of care provided to the DCE's population of aligned beneficiaries over the course of that year. The benchmark is net of a quality withholding applied by CMS. At the end of each performance year, a portion, or all, of the quality withholding can be earned based on APAACO's performance. GPDC/ACO REACH capitation revenue is recognized based on the estimated transaction price to transfer the service for a distinct increment of the series (i.e., month) and is recognized net of quality incentives/penalties.

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

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

### **3. Business Combinations, Asset Acquisitions, and Goodwill**

#### **FYB**

On May 1, 2023, the Company acquired 100% equity interest in FYB. FYB is licensed by the California Department of Managed Health Care as a full-service Restricted Knox-Keene licensed health plan, which enables FYB to assume full financial responsibility, including both professional and institutional risk, for the medical costs of its members under the Knox-Keene Health Care Service Plan Act of 1975.

#### ***Chinese Community Health Care Association (“CCHCA”)***

On March 1, 2023, the Company acquired certain healthcare assets from CCHCA. CCHCA is a non-profit independent physician association in the San Francisco Community. The purchase price consists of cash funded on May 1, 2023.

#### ***Orma Health***

On January 27, 2022, the Company acquired 100% of the capital stock of Orma Health, Inc., and Provider Growth Solutions, LLC (together, “Orma Health”). The purchase was paid in cash and the Company’s capital stock.

#### ***Jade Health Care Medical Group, Inc. (“Jade”)***

On April 19, 2022, the Company acquired 100% of the capital stock of Jade. The purchase was paid in cash. Jade is a primary and specialty care physicians’ group focused on providing high-quality care to its patients in the San Francisco Bay Area in Northern California.

#### ***VOMG***

On October 14, 2022, VOMG was determined to be a VIE of ApolloMed and is consolidated by the Company. VOMG owns nine primary care clinics in Nevada and Texas. The purchase price consists of cash funded upon close of transaction and additional cash consideration (“VOMG contingent consideration”) contingent on VOMG meeting financial metrics for fiscal years 2023 and 2024. The Company determined the fair value of the contingent consideration using a probability-weighted model that includes significant unobservable inputs (Level 3). The contingent consideration is included within other long-term liabilities in the accompanying consolidated balance sheets.

#### ***AAMG***

On October 31, 2022, AP-AMH 2, a VIE of the Company, acquired 100% of the equity interest in AAMG. AAMG is an IPA operating in Northern California. The purchase price consists of cash funded upon close of the transaction and additional consideration (“AAMG contingent consideration”) and stock consideration (“AAMG stock contingent consideration”) contingent on AAMG meeting revenue and capitated member metrics for fiscal years 2023 and 2024. The Company determined the fair value of the contingent considerations using a probability-weighted model that includes significant unobservable inputs (Level 3). Specifically, the Company considered various scenarios of revenue and assigned probabilities to each such scenario in determining fair value. As of June 30, 2023, the contingent consideration is valued at \$5.1 million and was included within other long-term liabilities in the accompanying consolidated balance sheets. The stock contingent consideration is valued at \$5.6 million and is included in additional paid-in capital in the accompanying consolidated balance sheets.

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

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

Goodwill is not deductible for tax purposes. The Company had no impairment of its goodwill or indefinite-lived intangible assets during the six months ended June 30, 2023 and 2022.

The change in the carrying value of goodwill for the six months ended June 30, 2023 was as follows (in thousands):

Balance, January 1, 2023 (restated)	\$	269,053
Acquisitions		3,924
Adjustments		1,052
Balance, June 30, 2023	\$	<u>274,029</u>

#### 4. Intangible Assets, Net

At June 30, 2023, the Company's intangible assets, net, consisted of the following (in thousands):

	Useful Life (Years)	Gross June 30, 2023	Accumulated Amortization	Net June 30, 2023
Indefinite lived assets:				
Trademarks	N/A	\$ 2,150	\$ —	\$ 2,150
Amortized intangible assets:				
Network relationships	11-21	150,679	(100,244)	50,435
Management contracts	15	22,832	(15,982)	6,850
Member relationships	10-14	20,477	(6,302)	14,175
Patient management platform	5	2,060	(2,060)	—
Tradename/trademarks	20	1,011	(282)	729
Developed technology	6	107	(25)	82
		<u>\$ 199,316</u>	<u>\$ (124,895)</u>	<u>\$ 74,421</u>

At December 31, 2022, the Company's intangible assets, net, consisted of the following (in thousands):

	Useful Life (Years)	Gross December 31, 2022	Accumulated Amortization	Net December 31, 2022
Indefinite lived assets:				
Trademarks	N/A	\$ 2,150	\$ —	\$ 2,150
Amortized intangible assets:				
Network relationships	11-21	150,679	(95,451)	55,228
Management contracts	15	22,832	(15,208)	7,624
Member relationships	12	16,633	(5,619)	11,014
Patient management platform	5	2,060	(2,060)	—
Tradename/trademarks	20	1,011	(257)	754
Developed technology	6	107	(16)	91
		<u>\$ 195,472</u>	<u>\$ (118,611)</u>	<u>\$ 76,861</u>

For the three months ended June 30, 2023 and 2022, the Company recognized amortization expense of \$3.3 million and \$3.5 million, respectively, in depreciation and amortization on the accompanying consolidated statements of operations. For the six months ended June 30, 2023 and 2022, the Company recognized amortization expense of \$6.3 million and \$7.2 million, respectively, in depreciation and amortization on the accompanying consolidated statements of operations. The Company determined that there was no impairment of its finite-lived intangible or long-lived assets during the during the six months ended June 30, 2023 and 2022.

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

	Amount
2023 (excluding the six months ended June 30, 2023)	\$ 6,157
2024	12,249
2025	11,171
2026	9,811
2027	8,430
Thereafter	24,453
Total	<u>\$ 72,271</u>

## 5. Investments in Other Entities

### Equity Method

For the six months ended June 30, 2023 and 2022, the Company's equity method investment balance consisted of the following (in thousands):

	<b>% of Ownership</b>	<b>December 31, 2022</b>	<b>Initial Investment</b>	<b>Allocation of Income (Loss)</b>	<b>Funding</b>	<b>Distribution</b>	<b>June 30, 2023</b>
LaSalle Medical Associates – IPA Line of Business	25%	\$ 5,684	\$ —	\$ 4,853	\$ —	\$ —	\$ 10,537
Pacific Medical Imaging & Oncology Center, Inc.	40%	1,878	—	(223)	—	—	1,655
531 W. College, LLC *	50%	17,281	—	(211)	—	—	17,070
One MSO, LLC *	50%	2,718	—	242	—	—	2,960
CAIPA MSO, LLC	30%	12,738	—	451	—	—	13,189
James Song, M.D., A Professional Corporation	25%	—	325	95	—	—	420
		<u>\$ 40,299</u>	<u>\$ 325</u>	<u>\$ 5,207</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 45,831</u>

	<b>% of Ownership</b>	<b>December 31, 2021</b>	<b>Allocation of Net Income (Loss)</b>	<b>Funding Reclassified To Loan Receivable</b>	<b>Funding</b>	<b>Distribution</b>	<b>June 30, 2022</b>
LaSalle Medical Associates – IPA Line of Business	25%	\$ 3,034	\$ 2,535	\$ (2,125)	\$ —	\$ —	\$ 3,444
Pacific Medical Imaging & Oncology Center, Inc.	40%	1,719	22	—	—	—	1,741
531 W. College, LLC *	50%	17,230	(305)	—	250	—	17,175
One MSO, LLC *	50%	2,910	254	—	—	(400)	2,764
Tag-6 Medical Investment Group, LLC*	50%	4,830	111	—	1,435	—	6,376
CAIPA MSO, LLC	30%	11,992	328	—	—	—	12,320
		<u>\$ 41,715</u>	<u>\$ 2,945</u>	<u>\$ (2,125)</u>	<u>\$ 1,685</u>	<u>\$ (400)</u>	<u>\$ 43,820</u>

\* Investment is deemed Excluded Assets that are solely for the benefit of APC and its shareholders.

For the three months ended June 30, 2023 and 2022, the Company's equity method investment balance consisted of the following (in thousands):

	<b>% of Ownership</b>	<b>March 31, 2023</b>	<b>Initial Investment</b>	<b>Allocation of Net Income (Loss)</b>	<b>Funding</b>	<b>Distribution</b>	<b>June 30, 2023</b>
LaSalle Medical Associates – IPA Line of Business	25%	\$ 7,848	\$ —	\$ 2,689	\$ —	\$ —	\$ 10,537
Pacific Medical Imaging & Oncology Center, Inc.	40%	1,886	—	(231)	—	—	1,655
531 W. College, LLC *	50%	17,191	—	(121)	—	—	17,070
One MSO, LLC *	50%	2,833	—	127	—	—	2,960
CAIPA MSO, LLC	30%	12,988	—	201	—	—	13,189
James Song, M.D., A Professional Corporation	25%	362	—	58	—	—	420
		<u>\$ 43,108</u>	<u>\$ —</u>	<u>\$ 2,723</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 45,831</u>

	<b>% of Ownership</b>	<b>March 31, 2022</b>	<b>Allocation of Net Income (Loss)</b>	<b>Funding Reclassified To Loan Receivable</b>	<b>Funding</b>	<b>Distribution</b>	<b>June 30, 2022</b>
LaSalle Medical Associates – IPA Line of Business	25%	\$ 4,292	\$ 1,277	\$ (2,125)	\$ —	\$ —	\$ 3,444
Pacific Medical Imaging & Oncology Center, Inc.	40%	1,726	15	—	—	—	1,741
531 W. College, LLC *	50%	17,048	(123)	—	250	—	17,175
One MSO, LLC *	50%	2,847	117	—	—	(200)	2,764
Tag-6 Medical Investment Group, LLC*	50%	6,330	46	—	—	—	6,376
CAIPA MSO, LLC	30%	12,140	180	—	—	—	12,320
		<u>\$ 44,383</u>	<u>\$ 1,512</u>	<u>\$ (2,125)</u>	<u>\$ 250</u>	<u>\$ (200)</u>	<u>\$ 43,820</u>

\* Investment is deemed Excluded Assets that are solely for the benefit of APC and its shareholders.

#### *James Song, M.D., A Professional Corporation*

In January 2023, AP-AMH 2 purchased a 25% interest in James Song, M.D., a Professional Corporation (“Song PC”), a medical corporation located in Hacienda Heights, California. AP-AMH 2 accounts for its investment in Song PC under the equity method of accounting as AP-AMH 2 has the ability to exercise significant influence, but not control over Song PC’s operations. For the three months ended June 30, 2023, AP-AMH 2 recognized income of \$58,000 in the accompanying consolidated statements of income. For the six months ended June 30, 2023, AP-AMH 2 recognized income of \$95,000 in the accompanying consolidated statements of operations. The accompanying consolidated balance sheets include the related investment balances of \$0.4 million as of June 30, 2023.

There was no impairment loss recorded related to equity method investments for the six months ended June 30, 2023 and 2022.

## **6. Loan Receivable and Loan Receivable – Related Parties**

### *Loan receivable*

#### *Pacific6*

In October 2020, NMM received a promissory note from 6 Founder LLC, a California limited liability company doing business as Pacific6 Enterprises totaling \$0.5 million as a result of the sale of the Company’s interest in an equity method investment. Interest accrues at a rate of 5% per annum and is payable monthly through the maturity date of December 1, 2023.

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

### *Loan receivable – related party*

#### *LaSalle Medical Associates Loan (“LMA Loan”)*

LaSalle Medical Associates (“LMA”) issued a promissory note to APC-LSMA for a principal amount of \$2.1 million with an August 2023 maturity date. The contractual interest rate on the LMA Loan is 1.0% above the prime rate of interest for commercial customers. In March 2023, LMA paid off the full balance of the promissory note and all interest. APC’s investment in LMA is accounted for under the equity method based on the 25% equity ownership interest held by APC-LSMA in LMA’s IPA line of business (see Note 5 — “Investments in Other Entities — Equity Method”).

## 7. Accounts Payable and Accrued Expenses

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

	June 30, 2023	December 31, 2022
Accounts payable and other accruals	\$ 9,939	\$ 10,473
Capitation payable	4,543	4,229
Subcontractor IPA payable	3,326	2,415
Professional fees	2,680	2,709
Due to related parties	3,246	3,304
Contract liabilities	647	531
Accrued compensation	13,393	15,301
Other provider payable	12,130	10,600
Total accounts payable and accrued expenses	<u>\$ 49,904</u>	<u>\$ 49,562</u>

## 8. Medical Liabilities

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

	June 30, 2023	June 30, 2022
<b>Medical liabilities, beginning of period (restated)</b>	<b>\$ 81,255</b>	<b>\$ 55,783</b>
Acquired (see Note 3)	4,757	1,609
Components of medical care costs related to claims incurred:		
Current period	441,443	313,325
Prior periods	(12,066)	(950)
Total medical care costs	429,377	312,375
Payments for medical care costs related to claims incurred:		
Current period	(336,231)	(204,032)
Prior periods	(81,165)	(53,978)
Total paid	(417,396)	(258,010)
Adjustments	2,054	742
<b>Medical liabilities, end of period</b>	<b><u>\$ 100,047</u></b>	<b><u>\$ 112,499</u></b>

## 9. Credit Facility, Bank Loans, and Lines of Credit

### ***Credit Facility***

The Company's debt balance consists of the following (in thousands):

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Revolver Loan	\$ 180,000	\$ 180,000
Real Estate Loans	22,862	23,168
Construction Loans	5,749	4,159
Promissory Note Payable	2,000	—
Total debt	<u>210,611</u>	<u>207,327</u>
Less: Current portion of debt	(2,630)	(619)
Less: Unamortized financing costs	(2,845)	(3,319)
Long-term debt	<u>\$ 205,136</u>	<u>\$ 203,389</u>

The estimated fair value of our long-term debt was determined using Level 2 inputs primarily related to comparable market prices. As of June 30, 2023 and December 31, 2022, the carrying value was not materially different from fair value, as the interest rates on the Company's debt approximated rates currently available to the Company.

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

	<b>Amount</b>
2023 (excluding the six months ended June 30, 2023)	\$ 312
2024	2,642
2025	7,184
2026	180,454
2027	472
Thereafter	19,547
Total	<u>\$ 210,611</u>

### ***Amended Credit Agreement***

The Amended Credit Agreement provides for a five-year revolving credit facility to the Company of \$400.0 million, which includes a letter of credit sub-facility of up to \$25.0 million and a swingline loan sub-facility of \$25.0 million, which expires on June 16, 2026. The Company is required to pay an annual agent fee of \$50,000 and an annual facility fee of 0.175% to 0.350% on the available commitments under the Amended Credit Agreement, regardless of usage, with the applicable fee determined on a quarterly basis based on the Company's leverage ratio. The Company will pay fees for standby letters of credit at an annual rate equal to 1.25% to 2.50%, as determined on a quarterly basis based on the Company's leverage ratio, plus facing fees and standard fees payable to the issuing bank on the respective letter of credit. The Company is also required to pay customary fees between the Company and Truist Bank, the lead arranger of the Amended Credit Agreement.

Under the Amended Credit Agreement, the debt bears interest at an annual rate equal to either, at the Company's option, (a) the Term SOFR Reference Rate, calculated two U.S. Government Securities Business Days prior to the first day of such interest period, as such rate is published by the Term SOFR Administrator (Federal Reserve Bank of New York), adjusted for any Term SOFR Adjustment, plus a spread of from 1.25% to 2.50%, as determined on a quarterly basis based on the Company's leverage ratio, or (b) a base rate, plus a spread of 0.25% to 1.50%, as determined on a quarterly basis based on the Company's leverage ratio. As of June 30, 2023, the interest rate on the Credit Agreement was 6.68%.

The Amended Credit Agreement requires the Company to comply with two key financial ratios, each calculated on a consolidated basis. The Company must maintain a maximum consolidated total net leverage ratio of not greater than 3.75 to 1.00 as of the last day of each fiscal quarter, provided that for any fiscal quarter during which the Company or certain subsidiaries consummate a permitted acquisition or investment, the aggregate purchase price is greater than \$75.0 million, the maximum consolidated total net leverage ratio may temporarily increase by 0.25 to 1.00 to 4.00 to 1.00. The Company must maintain a minimum consolidated interest coverage ratio of not less than 3.25 to 1.00 as of the last day of each fiscal quarter.

#### *Deferred Financing Costs*

In September 2019, the Company recorded deferred financing costs of \$6.5 million related to its entry into the Credit Facility. In June 2021, the Company recorded additional deferred financing costs of \$0.7 million related to its entry into the Amended Credit Facility. Deferred financing costs are recorded as a direct reduction of the carrying amount of the related debt liability using straight-line amortization. The remaining unamortized deferred financing costs related to the Credit Facility and the new costs related to the Amended Credit Facility are amortized over the life of the Amended Credit Facility. At June 30, 2023 and December 31, 2022, the unamortized deferred financing cost was \$2.8 million and \$3.3 million, respectively.

#### *Real Estate Loans*

##### *MPP*

On July 3, 2020, MPP entered into a loan agreement with East West Bank with a maturity date of August 5, 2030. As of June 30, 2023, the principal on the loan was \$5.8 million with a variable interest rate of 0.50% less than the independent index, which is the daily *Wall Street Journal* "Prime Rate." If the index is unavailable, East West Bank may designate a substitute index after notifying MPP. Monthly payments on the principal and any accrued interest rate not yet paid began in September 2020. MPP must maintain a Debt Coverage Ratio (defined as net operating income divided by current portion of long-term debt, plus interest expense) of not less than 1.25 to 1.

##### *AMG Properties*

On August 5, 2020, AMG Properties entered into a loan agreement with East West Bank with a maturity date of August 5, 2030. As of June 30, 2023, the principal on the loan was \$0.6 million with a variable interest rate of 0.30% less than the independent index, which is the daily *Wall Street Journal* "Prime Rate." If the index is unavailable, East West Bank may designate a substitute index after notifying AMG Properties. Monthly payments on the principal and any accrued interest rate not yet paid began in September 2020. AMG Properties must maintain a Debt Coverage Ratio (defined as net operating income divided by current portion of long-term debt, plus interest expense) of not less than 1.25 to 1.

##### *ZLL*

On July 27, 2020, ZLL entered into a loan agreement with East West Bank with a maturity date of August 5, 2030. As of June 30, 2023, the principal on the loan was \$0.6 million with a variable interest rate of 0.50% less than the independent index, which is the daily *Wall Street Journal* "Prime Rate." If the index is unavailable, East West Bank may designate a substitute index after notifying ZLL. Monthly payments on the principal and any accrued interest rate not yet paid began in September 2020. ZLL must maintain a Debt Coverage Ratio (defined as net operating income divided by current portion of long-term debt, plus interest expense) of not less than 1.25 to 1.

##### *120 Hellman LLC*

On January 25, 2022, 120 Hellman LLC ("120 Hellman"), a subsidiary of APC, entered into a loan agreement with MUFG Union Bank N.A. with the principal on the loan of \$16.3 million and a maturity date of March 1, 2032. The loan was used to purchase property in Monterey Park, California. As of June 30, 2023, the principal on the loan was \$15.8 million. The variable interest rate is 2.0% in excess of Daily Simple SOFR, which is the daily rate per annum equal to the secured overnight financing rate as administered by the Federal Reserve Bank of New York. If the index is unavailable, MUFG Union Bank N.A. may designate a substitute index after notifying 120 Hellman. Monthly payments on the principal and interest began on April 1, 2022. Should interest not be paid when due, it shall become part of the principal and bear interest. 120 Hellman must maintain a Cash Flow to Debt Service ratio (defined as net profit after taxes, to which depreciation, amortization and other non-cash items are added and divided by the current portion of long-term debt and capital leases) of not less than 1.25 to 1 and 35% or more of the property must also be occupied by APC.



### ***Construction Loans***

In April 2021, Tag 8 entered into a construction loan agreement with MUFG Union Bank N.A. (“Construction Loan”). Tag 8 is a VIE consolidated by the Company.

The Construction Loan allows Tag 8 to borrow up to \$10.7 million. In December 2022, the Construction loan was amended to extend the maturity date to March 1, 2024 (“Construction Loan Term”). If construction is completed and there are no events of default or substantial deterioration in the financial condition of Tag 8 or APC, guarantor on the loan agreement, at the maturity date of the Construction Loan Term, the loan shall convert to an amortizing loan with an amended extended maturity date of March 1, 2034 (“Permanent Loan Term”). Under the amended Construction Loan, upon conversion to the Permanent Loan Term, monthly principal and interest payments shall be made beginning April 1, 2024. The principal balance will bear interest at the SOFR reference rate. As of June 30, 2023, the likelihood of the construction being completed by the maturity date is probable. The loan balance as of June 30, 2023 was \$5.7 million and was recorded as long-term debt, net of current portion and deferred financing costs in the accompanying consolidated balance sheets. Once the loan converts to the Permanent Loan Term, APC, as Tag 8’s guarantor, must maintain a Cash Flow Coverage Ratio (defined as consolidated EBITDA minus unfinanced capital expenditures and distributions paid divided by the sum of current portion of long-term debt, plus interest expense) of not less than 1.25 to 1.

### ***Promissory Note Payable***

In May 2021, FYB entered into a promissory note agreement with CCHCA. The principal on the promissory note is \$2.0 million, with a maturity date of May 9, 2024. The interest rate is the prime rate plus 1.0%. The prime rate is updated annually on the effective date of the note and published by the Wall Street Journal.

### ***Effective Interest Rate***

The Company’s average effective interest rate on its total debt during the six months ended June 30, 2023 and 2022, was 5.93% and 2.16%, respectively. Interest expense in the consolidated statements of operations included amortization of deferred debt issuance costs for the three months ended June 30, 2023 and 2022, of \$0.2 million and \$0.2 million, respectively, and for the six months ended June 30, 2023 and 2022, of \$0.5 million and \$0.5 million, respectively.

### ***Lines of Credit***

#### ***APC Business Loan***

On September 10, 2019, the APC Business Loan Agreement with Preferred Bank (the “APC Business Loan Agreement”) was amended to, among other things, decrease loan availability to \$4.1 million, limit the purpose of the indebtedness under the APC Business Loan Agreement to the issuance of standby letters of credit, and include as a permitted lien, the security interest in all of its assets that APC granted to NMM under a Security Agreement dated on or about September 11, 2019, securing APC’s obligations to NMM under their management services agreement dated as of July 1, 1999, as amended.

#### ***Standby Letters of Credit***

The Company established irrevocable standby letters of credit with Truist Bank under the Amended Credit Agreement for a total of \$21.1 million for the benefit of CMS. Unless the institution provides notification that the standby letters of credit will be terminated prior to the expiration date, the letters will be automatically extended without amendment for additional one-year periods from the present, or any future expiration date.

APC established irrevocable standby letters of credit with Preferred Bank under the APC Business Loan Agreement for a total of \$0.1 million for the benefit of certain health plans. The standby letters of credit are automatically extended without amendment for additional one-year periods from the present or any future expiration date, unless notified by the institution in advance of the expiration date that the letter will be terminated.

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

## 10. Mezzanine and Stockholders' Equity

### Mezzanine Equity

#### *APC*

As the redemption feature of the APC shares is not solely within the control of APC, the equity of APC does not qualify as permanent equity and has been classified as non-controlling interests in APC as mezzanine or temporary equity. APC's shares were not redeemable, and it was not probable that the shares would become redeemable as of June 30, 2023 and December 31, 2022.

### Stockholders' Equity

As of June 30, 2023, 140,954 holdback shares have not been issued to certain former NMM shareholders who were NMM shareholders at the time of closing of the 2017 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 2017 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 2017 Merger. The consolidated financial statements have treated such shares of common stock as outstanding, given the receipt of the letter of transmittal is considered perfunctory and the Company is legally obligated to issue these shares in connection with the 2017 Merger.

#### *Treasury Stock*

APC owned 10,299,259 and 10,299,259 shares of ApolloMed's common stock, respectively, as of June 30, 2023 and December 31, 2022. While such shares of ApolloMed's common stock are legally issued and outstanding, they are treated as treasury shares for accounting purposes and excluded from shares of common stock outstanding in the consolidated financial statements.

During the six months ended June 30, 2023 the Company bought back 270,081 of its common stock. These are included as treasury stock.

As of June 30, 2023 and December 31, 2022, the total treasury stock was 10,569,340 and 10,299,259, respectively.

#### *Dividends*

During the three months ended June 30, 2023 and 2022, APC paid dividends of \$0 and \$10.0 million, respectively. During the six months ended June 30, 2023 and 2022, APC paid dividends of \$0 and \$10.0 million, respectively.

During the three months ended June 30, 2023 and 2022, CDSC paid dividends of \$0 and \$1.5 million, respectively. During the six months ended June 30, 2023 and 2022, CDSC paid dividends of \$0 and \$2.9 million, respectively.

## 11. Stock-Based Compensation

The following table summarizes the stock-based compensation expense recognized under all of the Company's stock plans for the three and six months ended June 30, 2023 and 2022, and associated with the issuance of restricted shares of common stock and vesting of stock options that are included in general and administrative expenses in the accompanying consolidated statements of income (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Stock options	\$ 422,422,000	\$ 1,141	\$ 988	\$ 1,921
Restricted stock	3,791	2,779	6,670	5,054
Total stock-based compensation expense	\$ 4,213	\$ 3,920	\$ 7,658	\$ 6,975

Unrecognized compensation expense related to total share-based payments outstanding as of June 30, 2023 was \$37.7 million.

### 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, 2023	859,850	\$ 25.88	2.19	\$ 10.3
Options granted	—	—	—	—
Options exercised	(125,000)	10.00	—	3.3
Options forfeited	(50,000)	0.10	—	—
Options outstanding at June 30, 2023	684,850	\$ 30.66	2.16	\$ 7.4
Options exercisable at June 30, 2023	589,118	\$ 21.77	1.72	\$ 7.1

During the six months ended June 30, 2023, options were exercised for 125,000 shares of the Company's common stock, resulting in proceeds of \$1.3 million. During the six months ended June 30, 2022, options were exercised for 38,500 shares of the Company's common stock, resulting in proceeds of \$0.7 million.

### Restricted Stock

The Company grants restricted stock to officers and employees, which are earned based on service conditions. The grant date fair value of the restricted stock is that day's closing market price of the Company's common stock. During the six months ended June 30, 2023, the Company granted 279,501 shares of restricted stock with performance based conditions and 359,527 shares of restricted stock without performance based conditions. During the six months ended June 30, 2023, the weighted average grant date fair value of restricted stock with and without performance based conditions was \$32.95 and 33.15, respectively. As of June 30, 2023, unvested restricted stock awards, including performance based restricted stock awards totaled 1.3 million shares.

### Warrants

All warrants issued by the Company have expired as of December 31, 2022. As a result, there are no outstanding warrants as of June 30, 2023 and December 31, 2022. During the six months ended June 30, 2022, common stock warrants were exercised for 101,953 shares of the Company's common stock, which resulted in proceeds of approximately \$1.1 million. The exercise price ranged from \$10.00 to \$11.00 per share for the exercises during the six months ended June 30, 2022.

## **12. Commitments and Contingencies**

### ***Regulatory Matters***

Laws and regulations governing the Medicare program and healthcare generally are complex and subject to interpretation. The Company believes it complies with all applicable laws and regulations and is unaware 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 a risk-bearing organization, the Company is required to follow regulations of the Department of Managed Health Care (“DMHC”). The Company must comply with a minimum working capital requirement, tangible net equity (“TNE”) requirement, cash-to-claims ratio, and claims payment requirements prescribed by the DMHC. TNE is defined as net assets less intangibles, less non-allowable assets (which include amounts due from affiliates), plus subordinated obligations.

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

### ***Standby Letters of Credit***

The Company established irrevocable standby letters of credit with Truist Bank for a total of \$21.1 million for the benefit of CMS (see Note 9 — “Credit Facility, Bank Loans, and Lines of Credit — Standby Letters of Credit”).

APC and Alpha Care established irrevocable standby letters of credit with a Preferred Bank for a total of \$0.1 million and \$3.8 million, respectively, for the benefit of certain health plans (see Note 9 — “Credit Facility, Bank Loans, and Lines of Credit — Standby Letters of Credit”).

### ***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.

### ***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.

### 13. Related-Party Transactions

During the three months ended June 30, 2023 and 2022, NMM recognized approximately \$6.9 million and \$4.8 million, respectively in management fees from LMA. During the six months ended June 30, 2023 and 2022, NMM recognized approximately \$11.9 million and \$11.1 million, respectively. LMA is accounted for under the equity method based on the 25% equity ownership interest held by APC in LMA's IPA line of business (see Note 5 — "Investments in Other Entities - Equity Method").

During the three months ended June 30, 2023 and 2022, NMM recognized approximately \$0.5 million and \$0.4 million, respectively in management fees from Arroyo Vista Family Health Center ("Arroyo Vista"). During the six months ended June 30, 2023 and 2022, NMM recognized approximately \$1.0 million and \$0.9 million, respectively. During the three months ended June 30, 2023 and 2022, the Company paid approximately \$0.1 million and \$0.1 million, respectively, to Arroyo Vista for services as a provider. During the six months ended June 30, 2023 and 2022, the Company paid approximately \$0.2 million and \$0.1 million, respectively. Arroyo Vista's chief executive officer is a member of the Company's board of directors.

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. During the three months ended June 30, 2023 and 2022, APC paid approximately \$0.5 million and \$0.7 million, respectively, to PMIOC for provider services. During the six months ended June 30, 2023 and 2022, APC paid approximately \$1.1 million and \$1.4 million, respectively. PMIOC is accounted for under the equity method based on the 40% equity ownership interest held by APC (see Note 5 — "Investments in Other Entities — Equity Method").

During the three and six months ended June 30, 2023, the Company paid approximately \$0.4 million to Song PC for provider services. As of January 2023, Song PC is accounted for under the equity method accounting as AP-AMH 2 has the ability to exercise significant influence, but not control over Song PC's operations (see Note 5 — "Investments in Other Entities — Equity Method").

During the three months ended June 30, 2023 and 2022, APC paid approximately \$0.1 million and \$0.1 million, respectively, to Advanced Diagnostic Surgery Center for services as a provider. During the six months ended June 30, 2023 and 2022, APC paid approximately \$0.1 million and \$0.1 million, respectively. During the three months ended June 30, 2023 and 2022, Advanced Diagnostic and Surgical Center paid approximately \$0.2 million and \$0.1 million, respectively, to MPP for rent. During the six months ended June 30, 2023 and 2022, rent to MPP was approximately \$0.3 million and \$0.3 million, respectively. Advanced Diagnostic Surgery Center shares common ownership with certain board members of ApolloMed and APC.

During the three months ended June 30, 2023 and 2022, APC paid approximately \$1,000 and \$0.2 million, respectively, to Fulgent Genetics, Inc. for services as a provider. During the six months ended June 30, 2023 and 2022, APC paid approximately \$10,000 and \$0.3 million, respectively. One of the Company's board members is a board member of Fulgent Genetics, Inc.

During the three months ended June 30, 2023 and 2022, the Company paid approximately \$0.6 million and \$0.1 million, respectively, to Sunny Village Care Center for services as a provider. During the six months ended June 30, 2023 and 2022, the Company paid approximately \$0.8 million and \$1.0 million, respectively. During the three and six months ended June 30, 2023, Sunny Village Care Center paid approximately \$0.3 million and \$0.5 million, respectively, to Tag 6 for rent. Tag 6 was consolidated by APC in August 2022. Sunny Village Care Center shares common ownership with certain ApolloMed officers and board members of ApolloMed and APC.

During the six months ended June 30, 2023, ApolloMed paid \$9.5 million to purchase ApolloMed's stock from a board member. During the six months ended June 30, 2022, APC paid \$9.3 million, respectively, to purchase ApolloMed's stock from a board member.

During the three months ended June 30, 2023 and 2022, NMM paid approximately \$0.4 million and \$0.4 million, respectively, to One MSO for an office lease. During the six months ended June 30, 2023 and 2022, NMM paid approximately \$0.7 million and \$0.7 million, respectively. One MSO is accounted for under the equity method based on 50% equity ownership interest held by APC (see Note 5 — "Investments in Other Entities — Equity Method").

The Company has agreements with Health Source MSO Inc., a California corporation ("HSMSO"), Aurion Corporation ("Aurion"), and 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 recognized related to AHMC, HSMSO, and Aurion (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
AHMC – Risk pool, capitation, claims payment	\$ 11,574	\$ 14,419	\$ 19,658	\$ 25,785
HSMSO – Management fees, net	243	(649)	389	(728)
Aurion – Management fees	(100)	(75)	(150)	(150)
	<u>\$ 11,717</u>	<u>\$ 13,695</u>	<u>\$ 19,897</u>	<u>\$ 24,907</u>

The Company and AHMC have a risk-sharing agreement with certain AHMC hospitals to share the surplus and deficits of each of the hospital pools. Under this agreement, during the three months ended June 30, 2023 and 2022, the Company has recognized risk pool revenue of \$15.8 million and \$13.3 million, respectfully. During the six months ended June 30, 2023 and 2022, the Company has recognized risk pool revenue of \$28.8 million and \$25.3 million, respectfully. The Company has a risk pool receivable balance of \$73.2 million and \$58.7 million as of June 30, 2023 and December 31, 2022, respectively.

During the three months ended June 30, 2023 and 2022, APC paid an aggregate of approximately \$9.5 million and \$12.3 million, respectively, to board members for provider services which included approximately \$1.2 million and \$3.3 million, respectively, to APC board members who are also officers of APC. During the six months ended June 30, 2023 and 2022, APC paid an aggregate of approximately \$18.8 million and \$21.6 million, respectively, to board members for provider services which included approximately \$2.6 million and \$5.2 million, respectively, to board members who are also officers of APC.

In addition, affiliates wholly owned by the Company’s officers, including Dr. Thomas Lam, ApolloMed’s Co-CEO and President, are reported in the accompanying consolidated statements of operations 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 and loans receivable from related parties, see Note 5 — “Investment in Other Entities — Equity Method” and Note 6 — “Loan Receivable and Loan Receivable — Related Parties,” respectively.

#### 14. Income Taxes

The Company uses the liability method of accounting for income taxes as set forth in ASC 740 *Income Taxes*. 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 in accordance with the estimated annual rate, plus the tax effect of certain discrete items that arise during the quarter. As the fiscal year progresses, the Company refines its estimates based on actual events and financial results during the quarter. This process can result in significant changes to the Company’s estimated effective tax rate. When this occurs, the income tax provision is adjusted during the quarter in which the estimates are refined so that the year-to-date provision reflects the estimated annual effective tax rate. These changes, along with adjustments to the Company’s deferred taxes and related valuation allowance, may create fluctuations in the overall effective tax rate from quarter to quarter.

As of June 30, 2023, due to the overall cumulative losses incurred in recent years, the Company maintained a full valuation allowance against its deferred tax assets related to loss entities the Company cannot consolidate under the federal tax consolidation rules, as realization of these assets is uncertain.

The Company’s effective income tax rate for the six months ended June 30, 2023 and 2022, was 41.1% and 34.9%, respectively. The tax rate for the six months ended June 30, 2023, differed from the U.S. federal statutory rate primarily due to state income taxes, tax on dividend distributions and income from flow-through entities.

As of June 30, 2023, 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, 2019 through December 31, 2022, and for the years ended December 31, 2018 through December 31, 2022, respectively.

## 15. Earnings Per Share

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

As of June 30, 2023 and December 31, 2022, APC held 10,299,259 and 10,299,259 shares of ApolloMed's common stock, respectively, which are treated as treasury shares for accounting purposes and not included in the number of shares of common stock outstanding used to calculate earnings per share.

For the three months ended June 30, 2023 and 2022, restricted stock of 238,096 and 394,606, respectively, were excluded from the computation of diluted weighted average common shares outstanding because the assumed proceeds, as calculated under the treasury stock method, resulted in these awards being antidilutive. For the six months ended June 30, 2023 and 2022, restricted stock of 246,431 and 257,193 were excluded from the computation of diluted weighted average common shares outstanding for being antidilutive.

For the three and six months ended June 30, 2023, 838,628 of contingently issuable shares were excluded from the computation of diluted weighted average common shares outstanding because these conditions were not achieved as of June 30, 2023. For the three and six months ended June 30, 2022, 242,899 of contingently issuable shares were excluded from the computation of diluted weighted average common shares outstanding because these conditions were not achieved as of June 30, 2022.

Below is a summary of the earnings per share computations:

<b>Three Months Ended June 30,</b>	<b>2023</b>	<b>2022</b>
		<b>(Restated)</b>
Earnings per share – basic	\$ 0.28	\$ 0.27
Earnings per share – diluted	\$ 0.28	\$ 0.26
Weighted average shares of common stock outstanding – basic	46,482,271	44,858,657
Weighted average shares of common stock outstanding – diluted	<u>46,778,299</u>	<u>46,023,015</u>
<b>Six Months Ended June 30,</b>	<b>2023</b>	<b>2022</b>
		<b>(Restated)</b>
Earnings per share – basic	\$ 0.57	\$ 0.57
Earnings per share – diluted	\$ 0.56	\$ 0.56
Weighted average shares of common stock outstanding – basic	46,517,108	44,815,307
Weighted average shares of common stock outstanding – diluted	<u>46,844,044</u>	<u>46,082,643</u>

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

<b>Three Months Ended June 30,</b>	<b>2023</b>	<b>2022</b>
Weighted average shares of common stock outstanding – basic	46,482,271	44,858,657
Stock options	252,311	418,322
Warrants	—	651,725
Restricted stock awards	40,027	94,311
Contingently issuable shares	3,690	—
Weighted average shares of common stock outstanding – diluted	<u>46,778,299</u>	<u>46,023,015</u>

<b>Six Months Ended June 30,</b>	<b>2023</b>	<b>2022</b>
Weighted average shares of common stock outstanding – basic	46,517,108	44,815,307
Stock options	254,718	455,170
Warrants	—	689,240
Restricted stock awards	70,363	122,926
Contingently issuable shares	1,855	—
Weighted average shares of common stock outstanding – diluted	<u>46,844,044</u>	<u>46,082,643</u>

## 16. 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 — Variable Interest Entities” to the accompanying consolidated financial statements for information on how the Company determines VIEs and their treatment.

The following table includes assets that can only be used to settle the liabilities of APC and its consolidated entities and VIEs, including Alpha Care and Accountable Health Care, and to which the creditors of ApolloMed have no recourse, and liabilities to which the creditors of APC, including Alpha Care and Accountable Health Care, have no recourse to the general credit of ApolloMed, as the primary beneficiary of the VIEs. These assets and liabilities, with the exception of the investment in a privately held entity that does not report net asset value per share and amounts due to affiliates, which are eliminated upon consolidation with NMM, are included in the accompanying consolidated balance sheets (in thousands). The assets and liabilities of the Company's other consolidated VIEs were not considered significant.

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
		<b>(Restated)</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 79,598	\$ 97,669
Investment in marketable securities	1,068	4,543
Receivables, net	15,187	11,503
Receivables, net – related party	76,678	62,190
Income taxes receivable	—	8,580
Other receivables	586	1,236



	June 30, 2023	December 31, 2022 (Restated)
Prepaid expenses and other current assets	9,211	9,289
Loan receivable	—	22
Loan receivable – related party	—	2,125
Amount due from affiliates*	—	30,340
<b>Total current assets</b>	<b>182,328</b>	<b>227,497</b>
<b>Non-current assets</b>		
Land, property, and equipment, net	121,310	106,486
Intangible assets, net	49,439	53,964
Goodwill	110,182	111,539
Income taxes receivable, non-current	15,943	15,943
Investment in affiliates*	325,457	304,755
Investments in other entities – equity method	32,222	27,561
Investment in privately held entities	405	405
Operating lease right-of-use assets	4,906	6,503
Other assets	4,099	4,169
<b>Total non-current assets</b>	<b>663,963</b>	<b>631,325</b>
<b>Total assets</b>	<b>\$ 846,291</b>	<b>\$ 858,822</b>
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 22,014	\$ 23,632
Fiduciary accounts payable	8,603	7,853
Medical liabilities	42,923	48,100
Income taxes payable	13,100	—
Dividends payable	638	638
Amount due to affiliates*	5,428	—
Current portion of long-term debt	630	619
Finance lease liabilities	591	594
Operating lease liabilities	1,463	1,800
<b>Total current liabilities</b>	<b>95,390</b>	<b>83,236</b>
<b>Non-current liabilities</b>		
Long-term debt, net of current portion and deferred financing costs	27,922	26,645
Deferred tax liability	2,467	4,591
Finance lease liabilities, net of current portion	1,078	1,275
Operating lease liabilities, net of current portion	6,062	7,484
Other long-term liabilities	8,680	8,542
<b>Total non-current liabilities</b>	<b>46,209</b>	<b>48,537</b>
<b>Total liabilities</b>	<b>\$ 141,599</b>	<b>\$ 131,773</b>

\*Investment in affiliates includes APC's investment in ApolloMed, which is reflected as treasury shares and eliminated upon consolidation. Amount due from affiliates are receivables with ApolloMed's subsidiaries and consolidated VIEs. Amount due to affiliates are payables with ApolloMed's subsidiaries and consolidated VIEs. As a result, these balances are eliminated upon consolidation and are not reflected on ApolloMed's consolidated balance sheets as of June 30, 2023 and December 31, 2022.

## 17. Leases

The Company has operating and finance leases for corporate offices, physicians' offices, and certain equipment. These leases have remaining lease terms of two months to fifteen years. Some of the leases may include options to extend the lease terms for up to ten years, and some of the leases may include options to terminate the leases within one year. As of June 30, 2023 and December 31, 2022, assets recorded under finance leases were \$1.6 million and \$1.8 million, respectively, and accumulated depreciation associated with finance leases were \$1.3 million and \$1.0 million, respectively.

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 sheets.

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

	Three Months Ended June 30,	
	2023	2022
Operating lease cost	\$ 1,816	\$ 1,547
Finance lease cost		
Amortization of lease expense	149	142
Interest on lease liabilities	22	18
Sublease income	(252)	(206)
Total lease cost, net	\$ 1,735	\$ 1,501

	Six Months Ended June 30,	
	2023	2022
Operating lease cost	\$ 3,568	\$ 3,154
Finance lease cost		
Amortization of lease expense	303	283
Interest on lease liabilities	45	37
Sublease income	(499)	(332)
Total lease cost, net	\$ 3,417	\$ 3,142

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

	<b>Three Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Supplemental Cash Flow Information</b>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 1,937	\$ 1,495
Operating cash flows from finance leases	149	18
Financing cash flows from finance leases	22	142

	<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Supplemental Cash Flow Information</b>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 3,678	\$ 3,042
Operating cash flows from finance leases	303	37
Financing cash flows from finance leases	45	283

	<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Weighted Average Remaining Lease Term</b>		
Operating leases	6.77 years	6.55 years
Finance leases	3.12 years	3.11 years

	<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Weighted Average Discount Rate</b>		
Operating leases	5.71 %	4.92 %
Finance leases	5.08 %	4.32 %

The following are future minimum lease payments under non-cancellable leases for the years ending December 31 (in thousands) below:

	<u>Operating Leases</u>	<u>Finance Leases</u>
2023 (excluding the six months ended June 30, 2023)	\$ 2,074	\$ 343
2024	3,946	632
2025	3,755	469
2026	3,529	214
2027	3,168	155
Thereafter	9,275	6
	<hr/>	<hr/>
Total future minimum lease payments	25,747	1,819
Less: imputed interest	4,868	150
Total lease liabilities	<hr/>	<hr/>
	20,879	1,669
Less: current portion	3,027	591
Long-term lease liabilities	<hr/> <hr/>	<hr/> <hr/>
	\$ 17,852	\$ 1,078

As of June 30, 2023, the Company does not have additional operating and finance leases that have not yet commenced.

## 18. Segments

The Company determined its operating segments in accordance with ASC 280, “Segment Reporting” (“ASC 280”). The Company currently has three reportable segments consisting of: 1) Care Enablement; 2) Care Partners; and 3) Care Delivery (See Note 1 – Description of Business). The Company’s reportable segments changed from one to three in the first quarter of 2023 as a result of certain changes to the information regularly provided to the Company’s chief operating decision makers (“CODMs”) when reviewing the Company’s performance as well as an effort to provide additional transparency to investors and other financial statement users which the Company believes will assist in the evaluation of changes in the operating results of the Company’s segments separate from non-operational factors that affect net income, thus providing insight into both operations and other factors impacting reported results.

The Company evaluates the performance of its operating segments based on segment revenue growth as well as operating income. Management uses revenue growth and total segment operating income as a measure of the performance of operating businesses separate from non-operating factors. The Company’s operations are based in the United States. All revenues of the Company are derived from the United States. Our segments are not evaluated using asset information.

Our Care Enablement segment is an integrated, end-to-end clinical and administrative platform powered by our proprietary technology suite, which provides operational, clinical, financial, technology, management, and strategic services to enable success in the delivering of high-quality, value-based care for providers and payers. Revenue for this segment is primarily comprised of management and software fees, charged as a percentage of gross revenue or on a per-member-per-month basis.

Our Care Partners segment is focused on building and managing high-quality and high-performance provider networks by partnering with, empowering, and investing in strong provider partners with a shared vision for coordinated care delivery. Under relevant accounting guidance, while our IPAs and ACO are two operating segments, they share similar economic characteristics and meet other criteria which permit us to aggregate them into a single reportable segment, which we have done. Revenue for this segment is primarily comprised of capitation and risk pool settlements and incentives.

Our Care Delivery segment is a patient-centric, data-driven care delivery organization focused on delivering high-quality and accessible care to all patients. Our care delivery organization includes primary care, multi-specialty care, and ancillary care services. Revenue is primarily earned based on fee-for-service reimbursements, capitation, and performance-based incentives.

Other is not a reportable segment and primarily consists of real estate operations and other entities that are individually immaterial. Revenue is primarily comprised of equipment sales and real estate revenue is presented in other income.

In the normal course of business, our reportable segments enter into transactions with each other. While intersegment transactions are treated like third-party transactions to determine segment performance, the revenues recognized by a segment and expenses incurred by the counterparty are eliminated in consolidation and do not affect consolidated results.

Corporate costs are unallocated and primarily include corporate initiatives, corporate infrastructure costs and corporate shared costs, such as finance, human resources, legal, and executives.

The following table presents information about our segments and prior periods have been recast to conform to the current presentation (in thousands):

<b>Three Months Ended June 30, 2023</b>							
	<b>Care Enablement</b>	<b>Care Partners</b>	<b>Care Delivery</b>	<b>Other</b>	<b>Intersegment Elimination</b>	<b>Corporate Costs</b>	<b>Consolidated Total</b>
Third Party	\$ 12,719	\$ 321,776	\$ 13,603	\$ 111	\$ —	\$ —	\$ 348,209
Intersegment	22,256	3,470	13,115	46	(38,887)	—	—
<b>Total revenues</b>	<b>34,975</b>	<b>325,246</b>	<b>26,718</b>	<b>157</b>	<b>(38,887)</b>	<b>—</b>	<b>348,209</b>
Cost of services	15,162	292,119	22,523	70	(36,998)	—	292,876
General and administrative <sup>(1)</sup>	12,175	5,298	3,626	926	(2,933)	9,212	28,304
<b>Total expenses</b>	<b>27,337</b>	<b>297,417</b>	<b>26,149</b>	<b>996</b>	<b>(39,931)</b>	<b>9,212</b>	<b>321,180</b>
<b>Income (loss) from operations</b>	<b>\$ 7,638</b>	<b>\$ 27,829</b>	<b>\$ 569</b>	<b>\$ (839)</b>	<b>\$ 1,044 <sup>(2)</sup></b>	<b>\$ (9,212)</b>	<b>\$ 27,029</b>
<b>Three Months Ended June 30, 2022</b>							
	<b>Care Enablement</b>	<b>Care Partners</b>	<b>Care Delivery</b>	<b>Other</b>	<b>Intersegment Elimination</b>	<b>Corporate Costs</b>	<b>Consolidated Total</b>
Third Party	\$ 10,225	\$ 247,269	\$ 11,951	\$ 252	\$ —	\$ —	\$ 269,697
Intersegment	19,333	27	11,400	21	(30,781)	—	—
<b>Total revenues</b>	<b>29,558</b>	<b>247,296</b>	<b>23,351</b>	<b>273</b>	<b>(30,781)</b>	<b>—</b>	<b>269,697</b>
Cost of services	10,921	233,622	17,135	82	(31,690)	—	230,070
General and administrative <sup>(1)</sup>	11,315	5,725	2,832	743	(896)	4,526	24,245
<b>Total expenses</b>	<b>22,236</b>	<b>239,347</b>	<b>19,967</b>	<b>825</b>	<b>(32,586)</b>	<b>4,526</b>	<b>254,315</b>
<b>Income (loss) from operations</b>	<b>\$ 7,322</b>	<b>\$ 7,949</b>	<b>\$ 3,384</b>	<b>\$ (552)</b>	<b>\$ 1,805 <sup>(2)</sup></b>	<b>\$ (4,526)</b>	<b>\$ 15,382</b>

**Six Months Ended June 30, 2023**

	<b>Care Enablement</b>	<b>Care Partners</b>	<b>Care Delivery</b>	<b>Other</b>	<b>Intersegment Elimination</b>	<b>Corporate Costs</b>	<b>Consolidated Total</b>
Third Party	\$ 22,858	\$ 636,413	\$ 25,866	\$ 316	\$ —	\$ —	\$ 685,453
Intersegment	42,683	3,486	26,235	82	(72,486)	—	—
<b>Total revenues</b>	<b>65,541</b>	<b>639,899</b>	<b>52,101</b>	<b>398</b>	<b>(72,486)</b>	<b>—</b>	<b>685,453</b>
Cost of services	30,783	578,197	43,886	133	(70,726)	—	582,273
General and administrative <sup>(1)</sup>	21,375	11,552	8,612	1,584	(3,967)	14,621	53,777
<b>Total expenses</b>	<b>52,158</b>	<b>589,749</b>	<b>52,498</b>	<b>1,717</b>	<b>(74,693)</b>	<b>14,621</b>	<b>636,050</b>
<b>Income from operations</b>	<b>\$ 13,383</b>	<b>\$ 50,150</b>	<b>\$ (397)</b>	<b>\$ (1,319)</b>	<b>\$ 2,207<sup>(2)</sup></b>	<b>\$ (14,621)</b>	<b>\$ 49,403</b>

**Six Months Ended June 30, 2022**

	<b>Care Enablement</b>	<b>Care Partners</b>	<b>Care Delivery</b>	<b>Other</b>	<b>Intersegment Elimination</b>	<b>Corporate Costs</b>	<b>Consolidated Total</b>
Third Party	\$ 20,912	\$ 488,561	\$ 23,150	\$ 331	\$ —	\$ —	\$ 532,954
Intersegment	38,036	27	20,527	31	(58,621)	—	—
<b>Total revenues</b>	<b>58,948</b>	<b>488,588</b>	<b>43,677</b>	<b>362</b>	<b>(58,621)</b>	<b>—</b>	<b>532,954</b>
Cost of services	24,437	452,295	33,327	126	(59,387)	—	450,798
General and administrative <sup>(1)</sup>	15,842	10,938	5,875	1,219	(1,515)	8,203	40,562
<b>Total expenses</b>	<b>40,279</b>	<b>463,233</b>	<b>39,202</b>	<b>1,345</b>	<b>(60,902)</b>	<b>8,203</b>	<b>491,360</b>
<b>Income (loss) from operations</b>	<b>\$ 18,669</b>	<b>\$ 25,355</b>	<b>\$ 4,475</b>	<b>\$ (983)</b>	<b>\$ 2,281<sup>(2)</sup></b>	<b>\$ (8,203)</b>	<b>\$ 41,594</b>

<sup>(1)</sup> Balance includes general and administrative expenses and depreciation and amortization.

<sup>(2)</sup> Income from operations for the intersegment elimination represents rental income from segments renting from other segments. Rental income is presented within other income which is not presented in the table.

## 19. Subsequent Events

### *Texas Independent Providers, LLC*

On July 12, 2023, the Company entered into a definitive agreement to acquire assets relating to Texas Independent Providers, LLC (“TIP”). Through its coordinated network of over 120 primary care providers, TIP provides high-quality primary care services to over 4,500 Medicare Advantage patients in communities throughout Harris County, home to Houston, the largest city in Texas and the fourth-largest city in the United States. The Company anticipates closing this transaction in the third quarter of 2023 and will fund the transaction with cash on hand.

### *IntraCare Convertible Promissory Note Receivable*

On July 27, 2023, the Company entered into a five-year convertible promissory note with IntraCare as the borrower. The principal on the note is \$25.0 million with interest on the outstanding principal amount and unpaid interest at a rate per annum equal to 8.81%, compounded annually. In the event that the convertible promissory note remains outstanding on or after maturity date of July 27, 2028, then the outstanding principal balance and any unpaid accrued interest shall, upon the election of the Company, convert into shares.

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

*The following Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the unaudited consolidated financial statements and the notes thereto included in Part I, Item 1, “Financial Statements” of this Quarterly Report on Form 10-Q. The financial information for the three and six months ended June 30, 2022 included herein has been restated as more fully described in Note 2 to the unaudited consolidated financial statements included in Item 1 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/A for the year ended December 31, 2022, filed with the SEC on August 9, 2023.*

### Overview

Apollo Medical Holdings, Inc. is a leading physician-centric, technology-powered, risk-bearing healthcare management company. Leveraging its proprietary population health management and healthcare delivery platform, ApolloMed operates an integrated, value-based healthcare model, which aims to empower the providers in its network to deliver the highest quality of care to its patients in a cost-effective manner. Together with our affiliated physician groups and consolidated entities, we provide coordinated outcomes-based medical care in a cost-effective manner.

The majority of our patients are covered by private or public insurance provided through Medicare, Medicaid, and health maintenance organizations (“HMOs”). However, a small portion of our revenue comes 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, physician and specialist extenders, and hospitalists. We operate primarily through Apollo Medical Holdings, Inc. (“ApolloMed”) and the following subsidiaries: NMM, AMM, and APAACO and their consolidated entities, including consolidated VIEs. Refer to Note 2 — “Basis of Presentation and Summary of Significant Accounting Policies” to our consolidated financial statements under Item 1 in this Quarterly Report on Form 10-Q for all consolidated entities.

Led by a management team with several decades of experience, we focus on physicians providing high-quality medical care, population health management, and patient care coordination. As a result, we are well-positioned to take advantage of the shift in the U.S. healthcare industry toward providing value-based and results-oriented healthcare with a focus on patient satisfaction, high-quality care, and cost efficiency.



Through our accountable care organization and a network of IPAs with more than 12,000 contracted physicians, we are responsible for coordinating care in value-based care arrangements for approximately 1.3 million patients primarily in California as of June 30, 2023.

### **Recent and Other Developments**

#### *Texas Independent Providers, LLC*

On July 12, 2023, the Company entered into a definitive agreement to acquire assets relating to Texas Independent Providers, LLC (“TIP”). Through its coordinated network of over 120 primary care providers, TIP provides high-quality primary care services to over 4,500 Medicare Advantage patients in communities throughout Harris County, home to Houston, the largest city in Texas and fourth-largest city in the United States. The Company anticipates closing this transaction in the third quarter of 2023 and will fund the transaction with cash on hand.

#### *IntraCare Convertible Promissory Note Receivable*

On July 27, 2023, the Company entered into a five-year convertible promissory note with IntraCare as the borrower. The principal on the note is \$25.0 million with interest on the outstanding principal amount and unpaid interest at a rate per annum equal to 8.81%, compounded annually. In the event that the convertible promissory note remains outstanding on or after maturity date of July 27, 2028, then the outstanding principal balance and any unpaid accrued interest shall, upon the election of the Company, convert into shares.

### **Key Financial Measures and Indicators**

#### *Operating Revenues*

Our revenue, which is recorded in the period in which services are rendered and earned, primarily consists of capitation revenue, risk pool settlements and incentives, GPDC/ACO REACH 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 expenses consist of the cost of: (i) patient care paid to contracted providers; (ii) information technology equipment and software, and; (iii) hiring staff to provide management and administrative support services to our affiliated physician groups, as further described in the following sections. These services include claims processing, utilization management, contracting, accounting, credentialing, and administrative oversight.

## Results of Operations

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

	Three Months Ended June 30,		\$ Change	% Change
	2023	2022 (Restated)		
<b>Revenue</b>				
Capitation, net	\$ 300,549	\$ 227,623	\$ 72,926	32 %
Risk pool settlements and incentives	20,121	18,793	1,328	7 %
Management fee income	12,493	9,984	2,509	25 %
Fee-for-services, net	13,262	11,740	1,522	13 %
Other revenue	1,784	1,557	227	15 %
<b>Total revenue</b>	<b>348,209</b>	<b>269,697</b>	<b>78,512</b>	<b>29 %</b>
<b>Operating expenses</b>				
Cost of services, excluding depreciation and amortization	292,876	230,070	62,806	27 %
General and administrative expenses	24,056	19,894	4,162	21 %
Depreciation and amortization	4,248	4,351	(103)	(2)%
<b>Total expenses</b>	<b>321,180</b>	<b>254,315</b>	<b>66,865</b>	<b>26 %</b>
<b>Income from operations</b>	<b>27,029</b>	<b>15,382</b>	<b>11,647</b>	<b>76 %</b>
<b>Other expense</b>				
Income from equity method investments	2,723	1,512	1,211	80 %
Interest expense	(3,632)	(1,854)	(1,778)	96 %
Interest income	3,327	421	2,906	*
Unrealized gain (loss) on investments	859	(1,866)	2,725	(146)%
Other income	1,185	3,034	(1,849)	(61)%
<b>Total other income, net</b>	<b>4,462</b>	<b>1,247</b>	<b>3,215</b>	<b>258 %</b>
<b>Income before provision for income taxes</b>	<b>31,491</b>	<b>16,629</b>	<b>14,862</b>	<b>89 %</b>
Provision for income taxes	14,009	5,352	8,657	162 %
<b>Net income</b>	<b>17,482</b>	<b>11,277</b>	<b>6,205</b>	<b>55 %</b>
Net income (loss) attributable to non-controlling interest	4,312	(673)	4,985	*
<b>Net income attributable to Apollo Medical Holdings, Inc.</b>	<b>\$ 13,170</b>	<b>\$ 11,950</b>	<b>\$ 1,220</b>	<b>10 %</b>

\* Percentage change of over 500%

	Six Months Ended June 30,		\$ Change	% Change
	2023	2022 (Restated)		
<b>Revenue</b>				
Capitation, net	\$ 600,753	\$ 449,682	\$ 151,071	34 %
Risk pool settlements and incentives	33,583	36,868	(3,285)	(9)%
Management fee income	22,389	20,457	1,932	9 %
Fee-for-services, net	25,324	22,835	2,489	11 %
Other revenue	3,404	3,112	292	9 %
<b>Total revenue</b>	<b>685,453</b>	<b>532,954</b>	<b>152,499</b>	<b>29 %</b>
<b>Operating expenses</b>				
Cost of services, excluding depreciation and amortization	582,273	450,798	131,475	29 %
General and administrative expenses	45,236	31,837	13,399	42 %
Depreciation and amortization	8,541	8,725	(184)	(2)%
<b>Total expenses</b>	<b>636,050</b>	<b>491,360</b>	<b>144,690</b>	<b>29 %</b>
<b>Income from operations</b>	<b>49,403</b>	<b>41,594</b>	<b>7,809</b>	<b>19 %</b>
<b>Other income (expense)</b>				
Income from equity method investments	5,207	2,945	2,262	77 %
Interest expense	(6,901)	(2,927)	(3,974)	136 %
Interest income	6,335	467	5,868	*
Unrealized loss on investments	(5,533)	(10,829)	5,296	(49)%
Other income	2,389	3,647	(1,258)	(34)%
<b>Total other income (expense), net</b>	<b>1,497</b>	<b>(6,697)</b>	<b>8,194</b>	<b>(122)%</b>
<b>Income before provision for income taxes</b>	<b>50,900</b>	<b>34,897</b>	<b>16,003</b>	<b>46 %</b>
Provision for income taxes	20,930	12,170	8,760	72 %
<b>Net income</b>	<b>29,970</b>	<b>22,727</b>	<b>7,243</b>	<b>32 %</b>
Net income (loss) attributable to non-controlling interest	3,668	(2,987)	6,655	(223)%
<b>Net income attributable to Apollo Medical Holdings, Inc.</b>	<b>\$ 26,302</b>	<b>\$ 25,714</b>	<b>\$ 588</b>	<b>2 %</b>

\* Percentage change of over 500%

#### ***Physician Groups and Patients***

As of June 30, 2023 and 2022, we managed a total of 15 and 13 independent physician groups that are affiliated and non-affiliated, respectively. The total number of patients for whom we managed the delivery of healthcare services was approximately 1.3 million and 1.2 million as of June 30, 2023 and 2022, respectively.

#### ***Revenue***

Our revenue for the three months ended June 30, 2023 was \$348.2 million, as compared to \$269.7 million for the three months ended June 30, 2022, an increase of \$78.5 million, or 29%. The increase in revenue was primarily attributable to the capitation revenue. Capitation revenue increased by approximately \$72.9 million, driven by organic membership growth in our consolidated IPAs and increased participation in a value-based Medicare fee-for-service model.

Our revenue for the six months ended June 30, 2023, was \$685.5 million, as compared to \$533.0 million for the six months ended June 30, 2022, an increase of \$152.5 million, or 29%. The increase in revenue was primarily attributable to an increase in capitation revenue as a result organic membership growth in our consolidated IPAs and increased participation in a value-based Medicare fee-for-service model.

#### ***Cost of Services, Excluding Depreciation and Amortization***

Expenses related to cost of services for the three months ended June 30, 2023 were \$292.9 million, as compared to \$230.1 million for the same period in 2022, an increase of \$62.8 million. The overall increase was primarily due to increased participation in a value-based Medicare fee-for-service model and growth in membership, which was commensurate to our increase in revenue.

Expenses related to cost of services for the six months ended June 30, 2023, were \$582.3 million, as compared to \$450.8 million for the same period in 2022, an increase of \$131.5 million. The overall increase was primarily due to increased participation in a value-based Medicare fee-for-service model and growth in membership, which was commensurate to our increase in revenue.

#### ***General and Administrative Expenses***

General and administrative expenses for the three months ended June 30, 2023 were \$24.1 million, as compared to \$19.9 million for the same period in 2022, an increase of \$4.2 million, or 21%. The increase is primarily due to an increase in headcount and other general and administrative expenses to support operational growth.

General and administrative expenses for the six months ended June 30, 2023, were \$45.2 million, as compared to \$31.8 million for the same period in 2022, an increase of \$13.4 million, or 42%. The increase is primarily due to an increase in headcount and other general and administrative expenses to support operational growth.

#### ***Depreciation and Amortization***

Depreciation and amortization expenses for the three months ended June 30, 2023 were \$4.2 million, as compared to \$4.4 million for the same period in 2022. This amount includes depreciation of property and equipment and the amortization of intangible assets.

Depreciation and amortization expenses for the six months ended June 30, 2023, were \$8.5 million, as compared to \$8.7 million for the same period in 2022. This amount includes depreciation of property and equipment and the amortization of intangible assets.

#### ***Income From Equity Method Investments***

Income from equity method investments for the three months ended June 30, 2023 was \$2.7 million, as compared to \$1.5 million for the same period in 2022, an increase of \$1.2 million. The increase in income from equity method investments was primarily due to APC's equity method investment in LMA. For the three months ended June 30, 2023 and 2022, APC recognized income from this investment of \$2.7 million and \$1.3 million, an increase of \$1.4 million.

Income from equity method investments for the six months ended June 30, 2023, was \$5.2 million, as compared to income from equity method investments of \$2.9 million for the same period in 2022, an increase of \$2.3 million. The increase was due to APC's equity method investment in LMA. For the six months ended June 30, 2023 and 2022, APC recognized income from this investment of \$4.9 million and \$2.5 million, an increase of \$2.4 million.

#### ***Interest Expense***

Interest expense for the three months ended June 30, 2023 was \$3.6 million, as compared to \$1.9 million for the same period in 2022, an increase of \$1.8 million. The increase in interest expense was due to higher interest rates. On June 30, 2023, the interest rate on the Amended Credit Agreement was 6.68% compared to 2.38% on June 30, 2022.

Interest expense for the six months ended June 30, 2023, was \$6.9 million, as compared to \$2.9 million for the same period in 2022, an increase of \$4.0 million. The increase in interest expense was due to higher interest rates. On June 30, 2023, the interest rate on the Amended Credit Agreement was 6.68% compared to 2.38% on June 30, 2022.

#### ***Interest Income***

Interest income for the three months ended June 30, 2023 was \$3.3 million compared to \$0.4 million for the three months ended June 30, 2022. The increase in interest income is due to more bank accounts becoming interest-bearing. Interest income reflects interest earned on cash held in bank accounts, money market and certificate of deposit accounts and the interest from notes receivable.

Interest income for the six months ended June 30, 2023, was \$6.3 million compared to \$0.5 million for the six months ended June 30, 2022. The increase in interest income is due to more bank accounts becoming interest-bearing. Interest income reflects interest earned on cash held in bank accounts, money market and certificate of deposit accounts and the interest from notes receivable.

#### ***Unrealized Gain (Loss) on Investments***

Unrealized gain for the three months ended June 30, 2023 was \$0.9 million, as compared to unrealized loss of \$1.9 million for the same period in 2022, a decrease in unrealized loss of \$2.7 million. The decrease in unrealized loss on investments was primarily driven by a \$1.7 million decrease due to fluctuations in the stock price of equity securities we hold. The change in the stock price was smaller for the three months ended June 30, 2023 compared to the three months ended June 30, 2022, resulting in the decrease. The change was also driven by a \$0.5 million unrealized gain due to the change in the fair value of our collar and interest rate swaps. The unrealized gain from the change in fair value of the collar and interest rate swap for the three months ended June 30, 2023 was greater than the unrealized gain for the three months ended June 30, 2022.

Unrealized loss for the six months ended June 30, 2023 was \$5.5 million, as compared to \$10.8 million for the same period in 2022, a decrease in unrealized loss of \$5.3 million. The decrease in unrealized loss on investments was primarily driven by a \$8.0 million decrease due to fluctuations in the stock price of equity securities we hold. The change in the stock price was smaller for the six months ended June 30, 2023 compared to the six months ended June 30, 2022, resulting in the decrease. This was partially offset by a \$1.7 million decrease in unrealized gain related to the change in the fair value of the collar and interest rate swap. The unrealized gain from the change in fair value of the collar and interest rate swap for the six months ended June 30, 2023 was less than the unrealized gain for the six months ended June 30, 2022.

#### ***Other Income***

Other income for the three months ended June 30, 2023 was \$1.2 million, as compared to other income of \$3.0 million for the same period in 2022, an decrease of \$1.8 million. The decrease in other income was primarily due to a \$2.3 million gain recognized on equity securities sold during the three months ended June 30, 2022. No securities were sold for the three months ended June 30, 2023.

Other income for the six months ended June 30, 2023 was \$2.4 million, as compared to other income of \$3.6 million for the same period in 2022, a decrease of \$1.3 million. The decrease in other income was primarily due to a \$2.3 million gain recognized on equity securities sold during the six months ended June 30, 2022. No securities were sold for the six months ended June 30, 2023. The decrease was offset by \$0.9 million increase in rental income due to APC's consolidated subsidiaries leasing their properties.

#### ***Provision for Income Taxes***

Provision for income taxes was \$14.0 million for the three months ended June 30, 2023 as compared to a provision for income taxes of \$5.4 million for the same period in 2022, an increase of \$8.7 million. The increase in provision for income taxes was due to an increase in pretax income.

Provision for income taxes was \$20.9 million for the six months ended June 30, 2023 as compared to a provision for income taxes of \$12.2 million for the same period in 2022, an increase of \$8.8 million. The increase in provision for income taxes was due to an increase in pretax income.

#### ***Net Income (Loss) Attributable to Non-controlling Interests***

Net income attributable to non-controlling interests for the three months ended June 30, 2023 was \$4.3 million, as compared to net loss attributable to non-controlling interests for the three months ended June 30, 2022 of \$0.7 million, respectively, an increase in net income attributable to non-controlling interest of \$5.0 million. The increase was primarily driven by a decrease in unrealized loss resulting from the change in the fair value of equity securities held by APC and increase in income from equity method investments held by APC.

Net income attributable to non-controlling interests for the six months ended June 30, 2023 was \$3.7 million, as compared to net loss attributable to non-controlling interests for the six months ended June 30, 2022 of \$3.0 million, respectively, an increase in net income attributable to non-controlling interest of \$6.7 million. The increase was primarily driven by a decrease in unrealized loss resulting from the change in the fair value of equity securities held by APC and increase in income from equity method investments held by APC.

***Net Income Attributable to Apollo Medical Holdings, Inc.***

Our net income attributable to Apollo Medical Holdings, Inc. for the three months ended June 30, 2023 was \$13.2 million, as compared to \$12.0 million for the same period in 2022, an increase of \$1.2 million.

Our net income attributable to Apollo Medical Holdings, Inc. for the six months ended June 30, 2023, was \$26.3 million, as compared to \$25.7 million for the same period in 2022, an increase of \$0.6 million.

**Segment Financial Performance**

The Company currently has three reportable segments consisting of Care Enablement, Care Partners and Care Delivery. The Company evaluates the performance of its operating segments based on segment revenue growth as well as operating income. Management uses revenue growth and total segment operating income as a measure of the performance of operating businesses separate from non-operating factors. For more information about our segments, Refer to Note 1 — “Description of Business” and Note 18 - “Segments” to our consolidated financial statements under Item 1 in this Quarterly Report on Form 10-Q for additional information.

The following table sets forth our revenue and operating income by segment for the three and six months ended June 30, 2023 and 2022 (in thousands):

Segment Revenue	Three Months Ended June 30,		\$ Change	% Change
	2023	2022		
Care Enablement	\$ 34,975	\$ 29,558	\$ 5,417	18 %
Care Partners	\$ 325,246	\$ 247,296	\$ 77,950	32 %
Care Delivery	\$ 26,718	\$ 23,351	\$ 3,367	14 %

Segment Operating Income	Three Months Ended June 30,		\$ Change	% Change
	2023	2022		
Care Enablement	\$ 7,638	\$ 7,322	\$ 316	4 %
Care Partners	\$ 27,829	\$ 7,949	\$ 19,880	250 %
Care Delivery	\$ 569	\$ 3,384	\$ (2,815)	(83)%

Segment Revenue	Six Months Ended June 30,		\$ Change	% Change
	2023	2022		
Care Enablement	\$ 65,541	\$ 58,948	\$ 6,593	11 %
Care Partners	\$ 639,899	\$ 488,588	\$ 151,311	31 %
Care Delivery	\$ 52,101	\$ 43,677	\$ 8,424	19 %

Segment Operating Income (Loss)	Six Months Ended June 30,		\$ Change	% Change
	2023	2022		
Care Enablement	\$ 13,383	\$ 18,669	\$ (5,286)	(28)%
Care Partners	\$ 50,150	\$ 25,355	\$ 24,795	98 %
Care Delivery	\$ (397)	\$ 4,475	\$ (4,872)	(109)%

#### *Care Enablement Segment*

Revenue for the three months ended June 30, 2023 was \$35.0 million, as compared to \$29.6 million for the three months ended June 30, 2022, an increase \$5.4 million, or 18%. Operating income for the three months ended June 30, 2023 was \$7.6 million, as compared to \$7.3 million for the three months ended June 30, 2022, an increase in operating income of \$0.3 million, or 4%. The increase in revenue and operating income was primarily due to an increase in more managed independent physician groups. As of June 30, 2023 and 2022, we managed a total of 15 and 13 independent physician groups that are affiliated and non-affiliated, respectively.

Revenue for the six months ended June 30, 2023 was \$65.5 million, as compared to \$58.9 million for the six months ended June 30, 2022, an increase of \$6.6 million, or 11%. Operating income for the six months ended June 30, 2023 was \$13.4 million, as compared to \$18.7 million for the six months ended June 30, 2022, a decrease of \$5.3 million, or 28%. The increase was due to an increase in more managed IPAs. As of June 30, 2023 and 2022, we managed a total of 15 and 13 independent physician groups that are affiliated and non-affiliated, respectively. The decrease in operating income was primarily due to more expenses incurred for the six months ended June 30, 2023 as a result of increase in headcount to support the increase in our managed independent physician groups.

#### *Care Partners Segment*

Revenue for the three months ended June 30, 2023 was \$325.2 million, as compared to \$247.3 million for the three months ended June 30, 2022, an increase \$78.0 million, or 32%. Operating income for the three months ended June 30, 2023 was \$27.8 million, as compared to \$7.9 million for the three months ended June 30, 2022, an increase operating income of \$19.9 million, or 250%. The increase in revenue and operating income was primarily due to organic membership growth in our consolidated IPAs and increased participation in a value-based Medicare fee-for-service model.

Revenue for the six months ended June 30, 2023 was \$639.9 million, as compared to \$488.6 million for the six months ended June 30, 2022, an increase of \$151.3 million, or 31%. Operating income for the six months ended June 30, 2023 was \$50.2 million, as compared to \$25.4 million for the six months ended June 30, 2022, an increase of \$24.8 million, or 98%. The increase in revenue and operating income was primarily due to driven by organic membership growth in our consolidated IPAs and increased participation in a value-based Medicare fee-for-service model.

#### *Care Delivery Segment*

##### *Revenue*

Revenue for the three months ended June 30, 2023 was \$26.7 million, as compared to \$23.4 million for the three months ended June 30, 2022, an increase \$3.4 million, or 14%. Operating income for the three months ended June 30, 2023 was \$0.6 million, as compared to \$3.4 million for the three months ended June 30, 2022, a decrease of \$2.8 million, or 83%. The increase in revenue was primarily due the acquisition of VOMG in November 2022 and increase in services provided. The decrease in operating income was primarily due to the Company's ongoing investment in expanding its care delivery footprint in Nevada and Texas.

Revenue for the six months ended June 30, 2023 was \$52.1 million, as compared to \$43.7 million for the six months ended June 30, 2022, an increase of \$8.4 million, or 19%. Operating loss for the six months ended June 30, 2023 was \$0.4 million, as compared to operating income of \$4.5 million for the six months ended June 30, 2022, a decrease of \$4.9 million, or 109%. The increase in revenue was primarily due the acquisition of VOMG in November 2022 and increase in services provided. The decrease in operating income was primarily due to the Company's ongoing investment in expanding its care delivery footprint in Nevada and Texas.

## EBITDA

Set forth below are reconciliations of Net Income to EBITDA and Adjusted EBITDA for the three and six months ended June 30, 2023 and 2022:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022 (Restated)	2023	2022 (Restated)
Net income	\$ 17,482	\$ 11,277	\$ 29,970	\$ 22,727
Interest expense	3,632	1,854	6,901	2,927
Interest income	(3,327)	(421)	(6,335)	(467)
Provision for income taxes	14,009	5,352	20,930	12,170
Depreciation and amortization	4,248	4,351	8,541	8,725
<b>EBITDA</b>	<b>36,044</b>	<b>22,413</b>	<b>60,007</b>	<b>46,082</b>
Income from equity method investments	(297)	(180)	(546)	(328)
Other, net	(1,618) <sup>(1)</sup>	—	(216) <sup>(1)</sup>	—
Stock-based compensation	4,213	3,920	7,658	6,975
APC excluded assets costs	(2,570)	(1,247)	(1,304)	6,537
<b>Adjusted EBITDA</b>	<b>\$ 35,772</b>	<b>\$ 24,906</b> <sup>(2)</sup>	<b>\$ 65,599</b>	<b>\$ 59,266</b> <sup>(2)</sup>

<sup>(1)</sup> Other, net for the three and six months ended June 30, 2023 relates to non-cash changes in the fair value of our financing obligation to purchase the remaining equity interests, changes in the fair value of our contingent liabilities, and changes in the fair value of the Company's Collar Agreement.

<sup>(2)</sup> Adjusted EBITDA under the historical method for the three and six months ended June 30, 2022 was \$36.9 million and \$75.1 million, respectively. See "Use of Non-GAAP Financial Measures" below for additional information on change of methodology.

### Use of Non-GAAP Financial Measures

This Quarterly Report on Form 10-Q contains the non-GAAP financial measures EBITDA and Adjusted EBITDA, of which the most directly comparable financial measure presented in accordance with U.S. generally accepted accounting principles ("GAAP") is net income. These measures are not in accordance with, or alternatives to GAAP, and may be calculated differently from similar non-GAAP financial measures used by other companies. The Company uses Adjusted EBITDA as a supplemental performance measure of our operations, for financial and operational decision-making, and as a supplemental means of evaluating period-to-period comparisons on a consistent basis. Adjusted EBITDA is calculated as earnings before interest, taxes, depreciation, and amortization, excluding income or loss from equity method investments, non-recurring and non-cash transactions, stock-based compensation, and APC excluded assets costs. Beginning in the third quarter ended September 30, 2022, the Company has revised the calculation for Adjusted EBITDA to exclude provider bonus payments and losses from recently acquired IPAs, which it believes to be more reflective of its business.

The Company believes the presentation of these non-GAAP financial measures provides investors with relevant and useful information, as it allows investors to evaluate the operating performance of the business activities without having to account for differences recognized because of non-core or non-recurring financial information. When GAAP financial measures are viewed in conjunction with non-GAAP financial measures, investors are provided with a more meaningful understanding of the Company's ongoing operating performance. In addition, these non-GAAP financial measures are among those indicators the Company uses as a basis for evaluating operational performance, allocating resources, and planning and forecasting future periods. Non-GAAP financial measures are not intended to be considered in isolation, or as a substitute for, GAAP financial measures. To the extent this Form 10-Q contains historical or future non-GAAP financial measures, the Company has provided corresponding GAAP financial measures for comparative purposes. The reconciliation between certain GAAP and non-GAAP measures is provided above.



## Liquidity and Capital Resources

Cash, cash equivalents, and investment in marketable securities at June 30, 2023 totaled \$297.7 million as compared to \$293.6 million at December 31, 2022. Working capital totaled \$279.3 million at June 30, 2023, as compared to \$279.5 million (restated) at December 31, 2022, a decrease of \$0.2 million.

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

### Cash Flow Activities

Our cash flows are summarized as follows (in thousands):

	Six Months Ended June 30,		\$ Change	% Change
	2023	2022 (Restated)		
Net cash provided by operating activities	\$ 33,522	\$ 33,059	\$ 463	1 %
Net cash used in investing activities	(19,221)	(12,228)	(6,993)	57 %
Net cash used in financing activities	(8,062)	(19,705)	11,643	(59)%
Net increase in cash and cash equivalents	\$ 6,239	\$ 1,126	\$ 5,113	454 %

### Operating Activities

Cash provided by operating activities for the six months ended June 30, 2023 was \$33.5 million, as compared to cash provided by operating activities of \$33.1 million for the six months ended June 30, 2022. The increase in cash provided by operating activities was primarily driven by changes in net income and working capital. For the six months ended June 30, 2023, net income exclusive of depreciation and amortization, amortization of debt issuance cost, share-based compensation, unrealized gains or losses, income or loss from equity method investments, and deferred tax was \$43.2 million compared to \$47.9 million for the six months ended June 30, 2022. Working capital for the six months ended June 30, 2023 decreased operating cash flow by \$9.7 million, compared to a \$14.8 million decrease in operating cash flow at June 30, 2022. The change in working capital for the six months ended June 30, 2023 was mainly driven by an increase in receivables, net, and increase in medical liabilities related to the Company's participation in value-based Medicare fee-for-service model, increase in related party receivables primarily due to timing of risk pool settlements that occur approximately 18 months after the risk pool performance year is completed, and decrease in accounts payable and accrued liabilities and income tax receivable due to timing of payments.

### Investing Activities

Cash used in investing activities during the six months ended June 30, 2023 was \$19.2 million, primarily due to purchases of property and equipment of \$17.4 million, purchases of marketable securities of \$2.0 million, purchase of a privately held investment of \$2.0 million, and purchase of an equity method investment of \$0.3 million. The cash used in investing activities was partially offset by proceeds from repayment of a loan receivable of \$2.1 million and payments for business and asset acquisitions, net of cash acquired of \$0.4 million. Cash used in investing activities during the six months ended June 30, 2022 was \$12.2 million, primarily due to purchases of property and equipment of \$18.8 million, payments for business acquisition, net of cash, of \$0.9 million, purchase of marketable securities of \$1.8 million, and funding for an equity method investment of \$1.7 million. The cash used in investing activities was partially offset by proceeds from the repayment of a loan receivable of \$4.0 million, the sale of marketable securities of \$6.5 million, and distributions from an equity method investment of \$0.4 million.

### Financing Activities

Cash used in financing activities during the six months ended June 30, 2023 was \$8.1 million, primarily due to repurchase of treasury stock of \$9.5 million, dividend payments of \$0.8 million, repayment of debt of \$0.3 million, a repayment of finance lease obligations of \$0.3 million, and purchase of non-controlling interest of \$0.1 million. This was partially offset by borrowings from bank loans totaling \$1.7 million and proceeds from the exercise of options of \$1.3 million. Cash used in financing activities during the six months ended June 30, 2022 was \$19.7 million, primarily due to dividend payments of \$12.6 million, repurchase of shares of \$9.5 million, repayment of debt of \$0.2 million, and a repayment of finance lease obligations of \$0.3 million. This was partially offset by borrowings from the Construction Loan totaling \$1.2 million and proceeds from the exercise of options and warrants of \$1.7 million.

#### Excluded Assets

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

The Excluded Assets as of June 30, 2023 are primarily comprised of assets and liabilities from operating real estate and proceeds from the sale of UCI. Any dividends issued to APC shareholders are paid using cash from Excluded Assets. As of June 30, 2023 and December 31, 2022, the Excluded Assets balance consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 13,135	\$ 30,163
Investment in marketable securities	1,068	4,543
Land, property, and equipment, net	116,896	101,349
Investments in other entities – equity method	20,030	19,999
Other receivables and assets	5,379	3,907
Other liabilities	(3,765)	(4,754)
Long-term debt	(28,552)	(27,264)
Total Excluded Assets	<u>\$ 124,191</u>	<u>\$ 127,943</u>

	Six Months Ended June 30,	
	2023	2022
Total operating expenses	\$ 1,255	\$ 1,595
Total other income (expense), net	\$ (2,495)	\$ (8,544)
Excluded Assets net income (loss)	\$ (3,767)	\$ (10,142)

## Credit Facilities

The Company's debt balance consisted of the following (in thousands):

	<b>June 30, 2023</b>
Revolver Loan	\$ 180,000
Real Estate Loans	22,862
Construction Loans	5,749
Promissory Note Payable	2,000
Total debt	210,611
Less: Current portion of debt	(2,630)
Less: Unamortized financing costs	(2,845)
Long-term debt	<u>\$ 205,136</u>

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

	<b>Amount</b>
2023 (excluding the six months ended June 30, 2023)	\$ 312
2024	2,642
2025	7,184
2026	180,454
2027	472
Thereafter	19,547
Total	<u>\$ 210,611</u>

### **Credit Agreement**

The Amended Credit Agreement provides for a five-year revolving credit facility to the Company of \$400.0 million, which includes a letter of credit sub-facility of up to \$25.0 million and a swingline loan sub-facility of \$25.0 million, which expires on June 16, 2026.

Refer to Note 9 — "Credit Facility, Bank Loans, and Lines of Credit" to our consolidated financial statements under Item 1 in this Quarterly Report on Form 10-Q for additional information.

### **Real Estate Loans**

On December 31, 2020, using cash comprised solely of Excluded Assets, APC purchased a 100% interest in MPP, AMG Properties, and ZLL. As a result of the purchase on the date of acquisition, APC assumed \$6.4 million, \$0.7 million, and \$0.7 million of existing loans held by MPP, AMG Properties, and ZLL, respectively. Refer to Note 9 — "Credit Facility, Bank Loans, and Lines of Credit" to our consolidated financial statements under Item 1 in this quarterly report on Form 10-Q for additional information.

On January 25, 2022, 120 Hellman entered into a real estate loan agreement with MUFG Union Bank N.A. and borrowed \$16.3 million. Refer to Note 9 — "Credit Facility, Bank Loans, and Lines of Credit" to our consolidated financial statements under Item 1 in this quarterly report on Form 10-Q for additional information.

### **Construction Loans**

In April 2021, Tag 8 entered into a construction loan agreement with MUFG Union Bank N.A. (“Construction Loan”) that allows Tag 8 to borrow up to \$10.7 million. Tag 8 is a VIE consolidated by the Company. Refer to Note 9 — “Credit Facility, Bank Loans, and Lines of Credit” to our consolidated financial statements under Item 1 in this quarterly report on Form 10-Q for additional information.

#### ***Promissory Note Payable***

In May 2021, FYB entered into a promissory note agreement with CCHCA. The principal on the promissory note is \$2.0 million with a maturity date of May 9, 2024. Refer to Note 9 — “Credit Facility, Bank Loans, and Lines of Credit” to our consolidated financial statements under Item 1 in this quarterly report on Form 10-Q for additional information.

#### **Critical Accounting Policies and Estimates**

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires our management to make judgments, assumptions, and estimates that affect the amounts of revenue, expenses, income, assets, and liabilities, reported in our consolidated financial statements and accompanying notes. Actual results and the timing of recognition of such amounts could differ from those judgments, assumptions, and estimates. In addition, judgments, assumptions, and estimates routinely require adjustment based on changing circumstances and the receipt of new or better information. Understanding our accounting policies and the extent to which our management uses judgment, assumptions, and estimates in applying these policies, therefore, is integral to understanding our financial statements. Critical accounting policies and estimates are defined as those reflect significant judgments and uncertainties, potentially resulting in materially different results under different assumptions and conditions. We summarize our most significant accounting policies in relation to the accompanying consolidated financial statements in Note 2 — “Basis of Presentation” 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/A for the fiscal year ended December 31, 2022.

#### **Off-Balance Sheet Arrangements**

As of June 30, 2023, we had no off-balance sheet arrangements that are or have been reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material to investors.

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

#### Interest Rate Risk

Borrowings under our Amended Credit Agreement exposed us to interest rate risk. As of June 30, 2023, we had \$180.0 million in outstanding borrowings under our Amended Credit Agreement. The amount borrowed under the Amended Credit Agreement bears interest at an annual rate equal to either, at the Company's option, (a) the Term SOFR Reference Rate, calculated two U.S. Government Securities Business Days prior to the first day of such interest period, as such rate is published by the Term SOFR Administrator (Federal Reserve Bank of New York), adjusted for any Term SOFR Adjustment, plus a spread of from 1.25% to 2.50%, as determined on a quarterly basis based on the Company's leverage ratio, or (b) a base rate, plus a spread of 0.25% to 1.50%, as determined on a quarterly basis based on the Company's leverage ratio. In addition, as of June 30, 2023, Tag 8, a VIE consolidated by the Company, had \$5.7 million in outstanding borrowings for the Construction Loan. Interest rate on the Construction Loan is equal to an index rate determined by the bank. Furthermore, as of June 30, 2023, APC had \$22.9 million in outstanding borrowings for real estate loans related to ZLL, MPP, AMG Properties, and 120 Hellman ("Real Estate Loans"). These loans bear interest that is subject to change from time to time based on changes in an independent index, which is the daily *Wall Street Journal* "Prime Rate," as quoted in the "Money Rates" column of *The Wall Street Journal* (Western edition) as determined by the Lender (the "Index"). Under no circumstances will the interest rate on these loans be less than 3.50% per annum or more than the maximum rate allowed by applicable law. 120 Hellman's Real Estate Loan has a variable interest rate of 2.0% in excess of Daily Simple SOFR, which is the daily rate per annum equal to the secured overnight financing rate as administered by the Federal Reserve Bank of New York. The Company has entered into interest rate swap agreements and collar agreements for certain agreements to effectively convert its floating-rate debt to a fixed-rate basis or to a rate within the agreed-upon range. The principal objective of these contracts is to eliminate or reduce the variability of the cash flows in interest payments associated with the Company's floating-rate debt, thus reducing the impact of interest rate changes on future interest payment cash flows. A hypothetical 1% change in our interest rates for our outstanding borrowings under our Credit Agreement, Construction Loans, and Real Estate Loans would have increased or decreased our interest expense for the year ended June 30, 2023 by \$2.1 million.

### ITEM 4. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

The Company maintains "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, designed to ensure that information required to be disclosed by a company in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives.

As a result of a material weakness in internal control over financial reporting associated with income taxes that is described below, our Co-Chief Executive Officers and Chief Financial and Strategy Officer determined that our disclosure controls and procedures were not effective as of June 30, 2023.

#### Material Weakness in Internal Control over Financial Reporting Associated with Company's Tax Provision

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual and interim financial statements will not be detected or prevented on a timely basis. As disclosed in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2022, management has identified a material weakness in internal controls relating to the inadequate design of controls associated with income taxes resulting in insufficient analysis, documentation, and review regarding the completeness and accuracy of the Company's tax filing structure with related impact on intercompany transactions and consolidated tax filing groups.

This material weakness resulted in errors in the unaudited consolidated financial statements for the three and six months ended June 30, 2022 that are restated in this Form 10-Q. Additionally, this material weakness could result in misstatements of the related accounts or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

#### **Management's Remediation Plans**

Management is actively engaged in the implementation of remediation plans to address the controls contributing to the material weakness associated with the tax provision. The Company's remediation actions include, but are not limited to, the following:

- i. We have hired additional personnel that are experienced in tax matters and are implementing controls to ensure the completeness and accuracy of the Company's tax filing structure.
- ii. We continue to design and implement relevant controls to enable an effective and timely review of the income tax consequences of intercompany transactions and consolidated tax group determinations. This includes the identification of relevant supporting documentation and the retention of sufficient detailed evidence of review procedures performed.

We believe these measures will remediate the material weakness, but management is assessing the need for any additional steps to remediate the underlying causes that gave rise to this weakness. The material weakness will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. There is no assurance that additional remediation steps will not be necessary.

Notwithstanding the identified material weakness, management believes the consolidated financial statements included in this Form 10-Q fairly present, in all material respects, our results of operations and cash flows for the three and six months ended June 30, 2023 and our financial condition as of such date, in accordance with GAAP.

#### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We began to implement the measures described above to remediate the material weakness following the quarter ended June 30, 2023.

## 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. 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 management expects to, individually or in the aggregate, have a material adverse effect on us or our business. The resolution of any claim or litigation is subject to inherent uncertainty and could have a material adverse effect on the Company's financial condition, cash flows, or results of operations.

### ITEM 1A. RISK FACTORS

Our business, financial condition, and operating results are affected by a number of factors, whether currently known or unknown, including risks specific to us or the healthcare industry, as well as risks that affect businesses in general. In addition to the information and risk factors set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K/A for the year ended December 31, 2022, filed with the SEC on August 9, 2023. The risks disclosed in such Annual Report and in this Quarterly Report could materially adversely affect our business, financial condition, cash flows, or results of operations and thus our stock price. We believe there have been no material changes in our risk factors from those disclosed in the Annual Report, other than with respect to the risk factor discussed below. However, additional risks and uncertainties not currently known or which we currently deem to be immaterial may also materially adversely affect our business, financial condition, or results of operations.

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

***We currently, and may in the future, have assets held at financial institutions that exceed the insurance coverage offered by the Federal Deposit Insurance Corporation; the loss of such assets would have a severe negative affect on our operations and liquidity.***

We maintain our cash assets at certain financial institutions in the U.S. in amounts that are significantly in excess of the FDIC insurance limit of \$250,000. As of June 30, 2023, our deposit accounts with banks exceeded the FDIC's insured limit by approximately \$326.8 million. In the event of a failure of any financial institutions where we maintain our deposits or other assets, we may incur a significant loss to the extent such loss exceeds the FDIC insurance limitation, which could have a material adverse effect on our liquidity, financial condition and our results of operations.

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

During the three months ended June 30, 2023 the Company issued an aggregate of 22,340 shares of common stock. 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.

During the three months ended June 30, 2023, no shares were repurchased under the Company's share repurchase plan. In December 2022, ApolloMed's Board of Directors approved a share repurchase plan authorizing the Company to repurchase up to \$50.0 million of its shares of common stock on the open market and through privately negotiated transactions. This share repurchase plan does not have an expiration date. The Board may suspend or discontinue the repurchase program at any time. This repurchase program does not obligate the Company to make additional repurchases at any specific time or in any specific situation. As of June 30, 2023, \$40.5 million remained available for repurchase under the repurchase plan.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

#### *Rule 10b5-1 Trading Plans*

During the quarter ended June 30, 2023, none of the Company's directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement" (as defined in Item 408(c) of Regulation S-K).

### 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.

<b>Exhibit No.</b>	<b>Description</b>
2.1†	<a href="#"><u>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)</u></a>
2.2	<a href="#"><u>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)</u></a>
2.3	<a href="#"><u>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)</u></a>
2.4†	<a href="#"><u>Stock purchase agreement dated March 15, 2019 (incorporated herein by reference to Exhibit 2.4 to the Company's Quarterly Report on Form 10-Q filed on May 10, 2019)</u></a>
3.1	<a href="#"><u>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)</u></a>
3.2	<a href="#"><u>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)</u></a>
3.3	<a href="#"><u>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)</u></a>
3.4	<a href="#"><u>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)</u></a>
3.5	<a href="#"><u>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)</u></a>



3.6	<a href="#">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)</a>
3.7	<a href="#">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)</a>
4.1	<a href="#">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)</a>
4.2	<a href="#">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)</a>
4.3	<a href="#">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)</a>
4.4	<a href="#">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)</a>
4.5	<a href="#">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)</a>
4.6	<a href="#">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)</a>
4.7	<a href="#">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)</a>
4.8	<a href="#">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)</a>
4.9	<a href="#">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)</a>
101.+	<a href="#">Apollo Medical Holdings, Inc. Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 16, 2023)</a>
101.2+*	<a href="#">Nonqualified Deferred Compensation Plan (effective July 1, 2023)</a>
31.1*	<a href="#">Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.3*	<a href="#">Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32**	<a href="#">Certification of Principal Executive Officers and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
*	Filed herewith.
**	Furnished herewith

+ Management contract or compensatory plan, contract or arrangement

† The schedules and exhibits thereof have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished to the SEC upon request.

SIGNATURE

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

**APOLLO MEDICAL HOLDINGS, INC.**

Dated: August 9, 2023

By: /s/ Thomas Lam  
Thomas Lam, M.D., M.P.H.  
Co-Chief Executive Officer & President  
(Principal Executive Officer)

Dated: August 9, 2023

By: /s/ Brandon Sim  
Brandon Sim  
Co-Chief Executive Officer  
(Principal Executive Officer)

Dated: August 9, 2023

By: /s/ Chandan Basho  
Chandan Basho  
Chief Financial Officer  
(Principal Financial Officer)

**APOLLO MEDICAL HOLDINGS, INC.  
NONQUALIFIED DEFERRED COMPENSATION PLAN**

**RECITALS**

This Nonqualified Deferred Compensation Plan (the “Plan”) is adopted by Apollo Medical Holdings, Inc. (the “Company”), a Delaware corporation, for the benefit of its Eligible Individuals. The purpose of the Plan is to offer selected Eligible Individuals who contribute significantly to the future business success of the Company an opportunity to elect to defer a portion of their Base Salary, Bonus Compensation, and/or Independent Contractor Compensation, and to provide a deferred compensation vehicle to which the Company may credit Company Contribution amounts pursuant to the terms of the Plan.

The Plan is an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly-compensated Employees, and as such, is intended to be exempt from the provisions of Parts 2, 3, and 4 of Title I of the Employee Retirement Income Security Act of 1974 by operation of Sections 201(2), 301(a)(3) and 401(a)(1) thereof. The Plan will be administered, operated and construed in accordance with this intention.

The Plan is intended to comply in form and operation with all applicable law, including, to the extent applicable, the requirements of Internal Revenue Code Section 409A and will be administered, operated and construed in accordance with this intention.

Accordingly, the Plan is adopted and made effective as of July 1, 2023.

**ARTICLE 1  
DEFINITIONS**

The words and phrases defined in this Article shall have the meaning set out in the definition, unless the context in which the word or phrase appears reasonably requires a broader, narrower or different meaning.

1.1 **“Account”** shall mean all bookkeeping accounts pertaining to a Participant which are maintained by the Plan Administrator or Plan recordkeeper to reflect the Company’s obligation to the Participant under the Plan, including a Deferral Account, a Company Contribution Account (if any), and Scheduled Withdrawal Account(s) (if any). The Plan Administrator or Plan recordkeeper shall establish additional subaccounts that the Plan Administrator considers necessary to reflect the entire interest of the Participant under the Plan.

1.2 **“Affiliate”** shall mean any business entity other than the Company that is a member of a controlled group of corporations, within the meaning of Section 414(b) of the Code, of which such Company is a member; any other trade or business (whether or not incorporated) under common control, within the meaning of Section 414(c) of the Internal Revenue Code.

1.3 **“Base Salary”** shall mean a Participant’s base annual salary excluding incentive and discretionary bonuses and other non-regular forms of compensation, before reductions for contributions to or deferrals under any pension, deferred compensation or benefit plans sponsored by the Company.

1.4 **“Beneficiary” or “Beneficiaries”** shall mean one or more persons, trusts, estates or other entities, designated by a Participant in accordance with the Plan, that are entitled to receive benefits under the Plan upon the death of a Participant.

1.5 **"Beneficiary Designation Form"** shall mean the form established from time to time by the Plan Administrator that a Participant completes, signs, and returns to the Plan Administrator to designate one or more Beneficiaries.

1.6 **"Bonus Compensation"** shall mean amounts paid to a Participant by the Company in the form of incentive compensation or any other bonus designated by the Company before reductions for contributions to or deferrals under any pension, deferred compensation or benefit plans sponsored by the Company.

1.7 **"Cause"** shall mean conduct by a Participant determined by the Company to be: (a) gross negligence or willful malfeasance in the performance of his or her duties; (b) actions or omissions that harm the Company and are undertaken or omitted knowingly or are criminal or fraudulent or involve material dishonesty or moral turpitude; (c) being indicted in a court of law for any felony or for a crime involving misuse or misappropriation of Company funds; or (d) breach of fiduciary duty to the Company.

1.8 **"Change in Control"** shall mean and shall include a change in ownership of the Company, a change in effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company, within the meaning of Internal Revenue Code Section 409A and as described in Treasury Regulation §§1.409A-3(i)(5)(v), (vi) and (vii).

1.9 **"Claimant"** shall mean a Participant or a Beneficiary who believes that he or she is entitled to a benefit under this Plan or being denied a benefit to which he or she is entitled hereunder.

1.10 **"Code"** shall mean the U.S. Internal Revenue Code of 1986, as amended, or any successor statute, and the Treasury Regulations and other authoritative guidance issued thereunder.

1.11 **"Company"** shall mean Apollo Medical Holdings, Inc., and its successors and assigns, unless otherwise provided in this Plan, or any other corporation or business organization which, with the consent of Apollo Medical Holdings, Inc., or its successors or assigns, assumes the Company's obligations under this Plan, or any Affiliate which agrees, with the consent of Apollo Medical Holdings, Inc., or its successors or assigns, to become a party to the Plan.

1.12 **"Company Contribution"** shall mean the deferred compensation amount credited on behalf of a Participant by the Company to the Company Contribution Account, as described in Section 5.2.

1.13 **"Company Contribution Account"** shall mean a subaccount of a Participant's Account consisting of: (a) the sum of the Company Contribution amounts (if any) for any Plan Year, plus (b) Deemed Investment gains or losses credited or debited thereon, less (c) any distributions made to the Participant or his or her Beneficiary that relate to the Participant's Company Contribution Account, and tax withholding amounts deducted (if any) from said Account.

1.14 **"Deemed Investment"** shall mean the notional conversion of the balance held in a Participant's Account(s) into shares or units of the Deemed Investment Options that are used as measuring devices for determining the value of a Participant's Account(s).

1.15 **"Deemed Investment Options"** shall mean the hypothetical securities or other investments described under Section 6.1 from which the Plan Administrator may select to be used as measuring devices to determine the Deemed Investment gains or losses of a Participant's Account(s). A Participant shall have no real or beneficial ownership in the security or other investment represented by the Deemed Investment Options.

1.16 **"Deferral Account"** shall mean a subaccount of a Participant's Account consisting of: (a) the sum of a Participant's Deferral Amounts for any Plan Year or Performance Period that may be allocated, in whole or in part,



by a Participant pursuant to his or her Deferral Election to the Deferral Account, plus (b) Deemed Investment gains or losses credited or debited thereon, less (c) any distributions made to the Participant or his or her Beneficiary that relate to the Participant's Deferral Account, and tax withholding amounts deducted (if any) from said Account.

1.17 **"Deferral Amount"** shall mean that portion of a Participant's Base Salary, Bonus Compensation, and/or Independent Contractor Compensation that a Participant elects to defer for any Plan Year or Performance Period.

1.18 **"Deferral Election"** shall mean an election by an Eligible Individual on an Election Form approved by the Plan Administrator (in a paper or electronic format) to defer a portion of his or her Base Salary, Bonus Compensation, and/or Independent Contractor Compensation in accordance with the provisions of Article 3.

1.19 **"Disability" or "Disabled"** shall be defined as a condition of a Participant whereby he or she has been deemed disabled by the Social Security Administration or has been determined to be disabled in accordance with a disability insurance program of the Company, provided that the disability insurance program covers the Participant and the definition of disability applied under such program complies with Code Section 409A. Upon the request of the Plan Administrator, the Participant must submit proof to the Plan Administrator of the Social Security Administration's or disability insurance provider's determination.

1.20 **"Effective Date"** shall mean July 1, 2023.

1.21 **"Election Form"** shall mean the form or forms established from time to time by the Plan Administrator (in a paper or electronic format) on which the Participant makes certain designations as required under the terms of this Plan.

1.22 **"Eligibility Date"** shall mean the date designated by the Plan Administrator on which an Eligible Individual shall become eligible to participate in the Plan.

1.23 **"Eligible Individual"** shall mean an Employee or Independent Contractor who is selected by the Company to participate in the Plan. Participation in the Plan is limited to a select group of the Company's key management or highly compensated employees and independent contractors.

1.24 **"Employee"** shall mean an individual who provides services to the Company in the capacity of a common law employee of the Company.

1.25 **"ERISA"** shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.26 **"Independent Contractor"** shall mean an individual providing services to the Company who has been designated by the Company as an independent contractor, as reflected by the fact that the individual receives 1099 income from the Company.

1.27 **"Independent Contractor Compensation"** shall mean the total amount of cash remuneration that is paid by the Company to an Independent Contractor with respect to his or her service for the Company.

1.28 **"Participant"** shall mean an Eligible Individual of the Company who is designated as eligible to participate in this Plan in accordance with the provisions of Article 2.

1.29 **"Performance Period"** shall mean, with respect to any Bonus Compensation, the period of time over which such Bonus Compensation is earned.





1.30 **"Plan"** shall mean this Nonqualified Deferred Compensation Plan, as evidenced by this written instrument, Participation Agreements, Election Forms, and any other forms as may be required by the Plan Administrator, as amended from time to time. For purposes of Section 409A, the portion of the amounts deferred by a Participant and Deemed Investment gains or losses credited or debited thereon, shall be considered an elective account balance plan as defined in Treasury Regulations §1.409A-1(c)(2)(i)(A), or as otherwise provided by the Code; the portion of the amounts deferred as Company Contributions together with Deemed Investment gains or losses credited or debited thereon, shall be considered a nonelective account balance plan as defined in Treasury Regulations §1.409A-1(c)(2)(i)(B), or as otherwise provided in the Code.

1.31 **"Plan Administrator"** shall mean the Company or its designee. The Plan Administrator shall appoint delegates and service providers as it, in its sole discretion, deems necessary to properly administer the Plan, and may from time to time consult with legal counsel. No person who is a Plan Administrator shall participate in an action on a matter which applies solely to that person.

1.32 **"Plan Year"** shall mean for the first Plan Year, the period beginning on the Effective Date and ending December 31 of the same calendar year; and thereafter shall mean a twelve (12) month period beginning January 1 of each calendar year and continuing through December 31 of such calendar year during which the Plan is in effect.

1.33 **"Scheduled Withdrawal Account"** shall mean a subaccount of a Participant's Account consisting of: (a) the sum of a Participant's Deferral Amounts for any Plan Year or Performance Period that may be allocated, in whole or in part, by the Participant pursuant to his or her Deferral Election to a Scheduled Withdrawal Account, plus (b) Deemed Investment gains or losses credited or debited thereon less (c) any distributions made to the Participant or his or her Beneficiary, and tax withholding amounts that relate to the Participant's Scheduled Withdrawal Account, and tax withholding amounts deducted (if any) from said Account.

1.34 **"Section 409A"** shall mean Code Section 409A and the Treasury Regulations or other authoritative guidance issued thereunder.

1.35 **"Separation from Service" or "Separates from Service"** shall mean a Participant has experienced a termination of employment or service with the Company. Whether a termination of employment or service has occurred is determined based on whether the facts and circumstances indicate that the Company and the Participant reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the Participant would perform after such date (whether as an Employee or as an Independent Contractor) would permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed (whether as an Employee or an Independent Contractor) over the immediately preceding thirty-six (36) month period (or the full period during which the Participant performed services for the Company, if that is less than thirty-six (36) months).

1.36 **"Specified Time"** shall mean, with respect to a Participant's Scheduled Withdrawal Account, the date on which the Scheduled Withdrawal Account shall be paid to the Participant.

1.37 **"Treasury Regulation" or "Treasury Regulations"** shall mean regulations promulgated by the Internal Revenue Service for the U.S. Department of the Treasury, as they may be amended from time to time.

1.38 **"Unforeseeable Emergency"** shall mean: (a) a severe financial hardship to a Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's Beneficiary, or the Participant's dependents (as defined in Code Section 152 (without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)); (b) loss of the Participant's property due to casualty; or (c) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The Plan Administrator will determine whether a Participant incurs an Unforeseeable Emergency based on the relevant facts and circumstances and in accordance with Treasury Regulations §1.409A-3(i)(3).



1.39 **“Valuation Date”** shall mean the date a Participant’s Account is to be valued for purposes of providing benefits under the terms of the Plan. The Valuation Date shall be interpreted as each day at the close of business of the New York Stock Exchange (currently 4:00 p.m. Eastern Time), on days that the New York Stock Exchange is open for trading or any other day on which there is sufficient trading in securities of the applicable fund to materially affect the unit value of the fund and the corresponding unit value of the Participant’s Deemed Investment Option(s).

## ARTICLE 2 ELIGIBILITY AND PARTICIPATION

2.1 **Requirements for Participation.** Every Eligible Individual selected by the Company on the Effective Date shall be eligible to become a Participant on the Effective Date. Before the beginning of each Plan Year, or such other times as determined by the Company, the Company shall select those Employees and Independent Contractors who shall be Eligible Individuals for such Plan Year.

2.2 **Election to Participate; Benefits of Participation.** Each Eligible Individual may become a Participant in the Plan by executing and submitting to the Plan Administrator, a Participation Agreement, a Deferral Election, and any other Election Form within the time period specified by the Plan Administrator and Section 409A. If an Eligible Individual fails to meet all requirements contained in this Section 2.2 within the period required, that Eligible Individual shall not be entitled to participate in the Plan during such Plan Year. In addition, the Plan Administrator may establish from time to time such other enrollment requirements permitted by Section 409A as it determines in its sole discretion are necessary or desirable.

2.3 **Re-employment.** The re-employment of a former Participant or re-engagement of a former Independent Contractor by the Company shall not entitle such individual to become a Participant hereunder. Such individual shall not become a Participant until the individual is again designated as an Eligible Individual in accordance with Section 2.1. If a Participant who has experienced a Separation from Service is receiving installment distributions and is re-employed or re-engaged by the Company, distributions due to the Participant shall not be suspended.

2.4 **Ceasing to be an Eligible Individual.** The Plan Administrator may remove an Eligible Individual from further active participation in the Plan at its discretion. If this occurs, the Participant shall not have additional amounts credited to the Company Contribution Account and shall be prevented from making Participant Deferral Elections for subsequent Plan Years or Performance Periods. Any existing Deferral Election shall continue in effect for the remainder of the Plan Year or Performance Period and may only be cancelled in accordance with Section 3.4(b) hereof.

2.5 **Termination of Participation.** A Participant will cease to be a Participant as of the date on which his or her entire Account balance has been distributed or forfeited.

## ARTICLE 3 DEFERRAL ELECTIONS

3.1 **Minimum and Maximum Deferral Limits.** For each Plan Year and/or Performance Period (as applicable), a Participant shall specify the percentage of Base Salary, Bonus Compensation, and/or Independent Contractor Compensation to be deferred subject to the minimums or maximums established by the Plan Administrator and communicated to the Participant on the Election Form.

3.2 **Deferral Elections – First Year of Eligibility.**

(a) **Application.** This Section 3.2 applies to each Eligible Individual who first becomes eligible to participate in the Plan. The Plan Administrator shall determine (in accordance with Treasury Regulation



§1.409A-2(a)(7)(ii)) the date upon which a Participant who ceased being eligible to participate in the Plan, can again become eligible to participate in the Plan.

(b) **Deferral Election.** An Eligible Individual described in Section 3.2(a) may elect to defer receipt of Base Salary or Independent Contractor Compensation earned during such Plan Year or his or her Bonus Compensation earned during a Performance Period by filing a Deferral Election with the Plan Administrator in accordance with the following rules:

(i) **Timing; Irrevocability.** The Deferral Election must be filed with the Plan Administrator by, and shall become irrevocable as of, the thirtieth (30<sup>th</sup>) day following the Participant's Eligibility Date (or such earlier date as specified by the Plan Administrator).

(ii) **Base Salary and Independent Contractor Compensation.** The Deferral Election shall only apply to Base Salary and Independent Contractor Compensation earned during such calendar year beginning with the first payroll period that begins immediately after the date the Deferral Election becomes irrevocable. Base Salary and Independent Contractor Compensation payable after the last day of a calendar year solely for services performed during the final payroll period, described in Section 3401(b) of the Code, containing December 31 of such year shall be treated as earned during the subsequent calendar year.

(iii) **Bonus Compensation.** Where a Deferral Election is filed in the first year of eligibility but after the commencement of the Performance Period, then, except as otherwise provided in Section 3.3 below, the Deferral Election shall only apply to that portion of Bonus Compensation earned for such Performance Period equal to the total amount of the Bonus Compensation earned during such Performance Period multiplied by a fraction, the numerator of which is the number of days beginning on the day immediately after the date that the Deferral Election becomes irrevocable and ending on the last day of the Performance Period, and the denominator of which is the total number of days in the Performance Period.

3.3 **Annual Deferral Elections.** Unless Section 3.2 applies, each Eligible Individual may elect to defer receipt of Base Salary and Independent Contractor Compensation for a Plan Year or his or her Bonus Compensation for a Performance Period, by filing a Deferral Election with the Plan Administrator in accordance with the following rules:

(a) **Base Salary and Independent Contractor Compensation.** The Deferral Election with respect to Base Salary and Independent Contractor Compensation must be filed with the Plan Administrator by, and shall become irrevocable following, December 31 (or such earlier date as specified by the Plan Administrator on the Deferral Election ) of the calendar year next preceding the calendar year for which such amounts would otherwise be earned.

(b) **Bonus Compensation.** The Deferral Election with respect to Bonus Compensation must be filed with the Plan Administrator by, and shall become irrevocable following, December 31 (or such earlier date as specified by the Plan Administrator on the Deferral Election) of the calendar year next preceding the first day of the Performance Period for which such Bonus Compensation would otherwise be earned. If the Company has a fiscal year other than the calendar year, Bonus Compensation relating to services in the fiscal year of the Company, of which no amount is paid or payable during the fiscal year, may be deferred at the Participant's election if the Deferral Election is made not later than the close of the Company's fiscal year next preceding the first fiscal year in which the Participant performs any services for which such Bonus Compensation is payable. Any Deferral Election with respect to Bonus Compensation that constitutes "performance-based compensation" under Treasury Regulation §1.409A-1(e)(1), must be filed with the Plan Administrator by, and shall become irrevocable as of, the date that is six (6) months before the end of the applicable Performance Period (or such earlier date as specified by the Plan Administrator on the Deferral



Election), provided that in no event may such Deferral Election be filed after such Bonus Compensation has become "readily ascertainable" within the meaning of Section 409A.

### 3.4 **Duration and Cancellation of Deferral Elections.**

(a) **Duration.** Once irrevocable, a Deferral Election shall only be effective for the Plan Year or Performance Period with respect to which such election was timely filed with the Plan Administrator. Except as provided in Section 3.4(b), a Deferral Election, once irrevocable, cannot be cancelled or altered during a Plan Year or Performance Period.

(b) **Cancellation.**

(i) The Plan Administrator may cancel a Participant's Deferral Election where such cancellation occurs by the later of: (A) the end of the Participant's taxable year, or (B) the fifteenth (15<sup>th</sup>) day of the third (3<sup>rd</sup>) month following the date the Participant incurs a "disability," in accordance with Treasury Regulation §1.409A-3(j)(4)(xii). For purposes of this Section 3.4(b)(i), a disability refers to any medically determinable physical or mental impairment resulting in the Participant's inability to perform duties of his or her position or any substantially similar position, where such impairment can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months, in accordance with Treasury Regulation §1.409A-3(i)(3).

(ii) The Plan Administrator must cancel a Participant's Deferral Election due to an Unforeseeable Emergency distribution. If a Participant's Deferral Election is cancelled with respect to a particular calendar year or Performance Period, the Participant may complete a new Deferral Election for a subsequent Plan Year or Performance Period, only in accordance with Section 3.3.

3.5 **Withholding and Crediting of Deferral Amounts.** For each Plan Year, the Base Salary and Independent Contractor Compensation portions of the Deferral Amount shall be withheld from each regularly scheduled payroll in approximately equal amounts (or as otherwise specified by the Plan Administrator), as adjusted from time to time for increases and decreases in Base Salary or Independent Contractor Compensation (if the Participant's Deferral Election is expressed as a percentage). The Bonus Compensation portion of the Deferral Amount shall be withheld as soon as administratively feasible following the time the Bonus Compensation otherwise would be paid to the Participant, whether or not this occurs during the Plan Year or Performance Period as the case may be. Deferral Amounts shall be credited to the Participant's Deferral Account and/or to a Scheduled Withdrawal Account as soon as administratively feasible following the time such amounts would otherwise have been paid to a Participant.

## ARTICLE 4 ACCOUNT ALLOCATION AND DISTRIBUTION ELECTIONS

4.1 **Establishment of Account(s).** The Plan Administrator shall establish and maintain a Deferral Account, a Company Contribution Account, and Scheduled Withdrawal Accounts for each Plan Year, as applicable, in the name of each Participant.

4.2 **Account Allocation.** Concurrent with any Deferral Election, a Participant may make an irrevocable election to allocate all or a portion of his or her elected Deferral Amount to the Plan Year Deferral Account and/or a Plan Year Scheduled Withdrawal Account. To the extent that a Participant does not designate the Account to which Deferral Amounts will be allocated for a Plan Year, or such designation is ambiguous or does not comply with the terms of the Plan, such Deferral Amounts shall be allocated and credited to the Participant's Deferral Account. Company Contributions shall not be allocated to a Scheduled Withdrawal Account, and instead shall be allocated to a Plan Year Company Contribution Account.





4.3 **Scheduled Withdrawal Account Elections.** If a Participant elects to allocate Deferral Amounts for a Plan Year into a Scheduled Withdrawal Account in accordance with Section 4.2, the Participant shall make an election as to the year in which payment will commence to be paid from that Scheduled Withdrawal Account (the “Specified Time”). A Participant may elect to receive a distribution of a Scheduled Withdrawal Account no sooner than January 15<sup>th</sup> of the fifth (5<sup>th</sup>) Plan Year following the Plan Year of the deferral unless otherwise stated in the Election Form. (For example: If a Participant elects to allocate 2023 Deferral Amounts into a Scheduled Withdrawal Account, the earliest date these Deferral Amounts could be distributed would be January 15, 2028). A Participant must also elect whether a Scheduled Withdrawal Account will be paid in a lump sum or in annual installments of up to four (4) years. To the extent that the designations are ambiguous or do not comply with the terms of this Section, then that Scheduled Withdrawal Account shall be paid at the earliest permissible date in accordance with this Section and/or in a lump sum.

4.4 **Other Distribution Elections.** Within thirty (30) days following a Participant’s Eligibility Date, and during each subsequent annual enrollment thereafter, a Participant must elect whether to be paid in a lump sum or in five (5), ten (10), fifteen (15), or twenty (20) installments for a Separation from Service; and shall make a one-time election within thirty (30) days following the initial Eligibility Date to be paid in a lump sum or five (5) annual installments for Disability and death. To the extent that a Participant does not designate the form of payment or such designation is ambiguous or does not comply with the terms of the Plan, the Participant shall be deemed to have elected to be paid in a lump sum.

## ARTICLE 5 COMPANY CONTRIBUTIONS

5.1 **Company Contributions.** Each Plan Year, the Company may make Company Contributions to the Plan on behalf of a Participant in such amount as the Company shall determine in its sole discretion. The Company is under no obligation to make a Company Contribution for a Plan Year, and Company Contributions, if made, need not be uniform among Participants. Any Company Contribution shall be credited to the Participant’s Company Contribution Account on such date as determined by the Company.

## ARTICLE 6 DEEMED INVESTMENT GAINS OR LOSSES

6.1 **Deemed Investment Options.** The Plan Administrator will determine the available Deemed Investment Options for purposes of crediting or debiting the Deemed Investment gains or losses to the Account. The Plan Administrator may discontinue, substitute, or add Deemed Investment Options in its sole discretion on a prospective basis. Any discontinuance, substitution, or addition of a Deemed Investment Option will take effect as soon as administratively practicable. The Deemed Investment Options are to be used for measurement purposes only, and the Plan Administrator’s selection of any such Deemed Investment Option, the allocation of such Deemed Investment Options to the Account, the calculation of additional amounts, and the crediting or debiting of such amounts to the Account shall not be considered or construed in any manner as an actual investment of the Account. The Plan Administrator will not be responsible in any manner to any Participant, Beneficiary or other person for any damages, losses, liabilities, costs or expenses of any kind arising in connection with any designation or elimination of a Deemed Investment Option. Without limiting the foregoing, the Account shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Plan Administrator. A Participant (or Beneficiary) shall at all times remain an unsecured creditor of the Company. Any liability or obligation of the Company to any Participant, former Participant, or Beneficiary with respect to a right to payment shall be based solely upon contractual obligations created by this Plan.

6.2 **Participant’s Allocation of Deemed Investment Options.** Each Participant shall have the right to direct the Plan Administrator as to how the Participant’s Deferral Amounts and Company Contributions shall be deemed to be invested among the Deemed Investment Options offered under the Plan, subject to any rule, policy,



practice or procedure adopted by the Plan Administrator. As of each Valuation Date, the Participant's Account(s) will be credited or debited to reflect the performance of the Deemed Investment Options elected by the Participant. If a Deemed Investment Option selected by a Participant sustains a loss, the Participant's Account(s) shall be reduced to reflect such loss. If the Participant fails to elect a Deemed Investment Option the Deemed Investment shall be based on an investment as may be established by the Plan Administrator.

**6.3 Participant Responsibilities.** Each Participant is solely responsible for any and all consequences of his or her investment directions made pursuant to this Article 6. Neither the Company, any of its directors, officers or employees, nor the Plan Administrator has any responsibility to any Participant or other person for any damages, losses, liabilities, costs or expenses of any kind arising in connection with any investment direction made by a Participant pursuant to this Article 6.

**6.4 No Required Investment of Company Assets.** Notwithstanding anything contained herein to the contrary, the Company reserves the right to invest its assets, including any assets that may have been set aside for the purpose of funding the benefits to be provided under the Plan, at its own discretion, and such assets shall remain the property of the Company, or may be held in a trust, as the case may be, subject to the claims of the general creditors of the Company, and no Participant shall have any right to any portion of such assets other than as an unsecured general creditor of the Company.

## ARTICLE 7 VESTING / FORFEITURES / TAXES

**7.1 Participant Accounts.** A Participant shall at all times be one hundred percent (100%) vested in his or her Deferral Account and Scheduled Withdrawal Account(s).

**7.2 Company Contribution Account.** Unless otherwise described in a Participant's Participation Agreement, Company Contributions shall be tracked separately for each Plan Year and shall become one hundred percent (100%) vested on December 31<sup>st</sup> of the fifth (5<sup>th</sup>) Plan Year following the year the contribution is credited to the Participant's Account. For example: Company Contributions credited in 2023 will 100% vest on December 31, 2028; contributions credited in 2024 will 100% vest on December 31, 2029; contributions credited in 2025 will 100% vest on December 31, 2030; and so on.

**7.3 Accelerated Vesting.** Notwithstanding the foregoing vesting schedule, a Participant's Company Contribution Account shall become one hundred percent (100%) vested upon the earliest of the following events to occur while employed by the Company: (a) Disability; (b) death; (c) a Change in Control; or (d) at the discretion of the Company.

**7.4 Forfeiture.** Notwithstanding any other provision to the contrary herein, in the event a Participant's employment is terminated for Cause, no benefits of any kind will be due or payable by the Company under the terms of this Plan from the Participant's Company Contribution Account and all rights of the Participant, his or her designated Beneficiary, executors, or administrators, or any other person, to receive payments thereof shall be forfeited. Additionally, a Participant will forfeit any portion of an Account that is not vested upon Separation from Service.

**7.5 Taxes and Withholding.** Deferral Amounts, Company Contributions, and Deemed Investment gains and/or losses on each are subject to the Federal Insurance Contribution Act (FICA), the Federal Unemployment Tax Act (FUTA), and the Self-Employment Contributions Act (SECA) for Independent Contractors, to the extent provided under applicable Code provisions, and benefits payable under the Plan are subject to all applicable federal, state, city, income, employment or other taxes as may be required to be withheld or paid. A Participant is solely responsible for the payment of all individual tax liabilities relating to any such benefits.



**ARTICLE 8  
PAYMENT OF ACCOUNT(S)**

**8.1 Payments in General.**

**(a) Payment Events.**

(i) A Participant (or, in the event of the death of the Participant, the Participant's Beneficiary) shall be entitled to a benefit equal to the Participant's vested Account(s) balance upon the earliest to occur of Separation from Service, Disability, or death.

(ii) Unless the vested balance of a Participant's Scheduled Withdrawal Account has been paid earlier in accordance with this Section 8.1(a)(i), the Participant shall be entitled to a benefit equal to such vested balance at the Specified Time.

**(b) Source of Payments.** The Company will pay, from its general assets, the portion of any benefit payable pursuant to this Article 8 that is attributable to a Participant's Account, and all costs, charges and expenses relating thereto.

**(c) Minimum Threshold for Installment Payments.** If the vested Account balance at the due date of the first installment is fifty thousand dollars (\$50,000) or less, payment of the vested Account shall be made instead in a lump sum and no installments shall be available hereunder. This lump sum minimum threshold does not apply to Scheduled Withdrawal Accounts.

**(d) Subsequent Deferral Elections.** Upon the Company's approval, a Participant may delay the time of a payment or change the form of payment as expressly provided under this Section 8.1(d) and Section 409A (hereinafter, a "Subsequent Deferral Election"). Notwithstanding the foregoing, a Subsequent Deferral Election cannot accelerate any payment. A Subsequent Deferral Election which delays payment or changes the form of payment is permitted only if all of the following requirements are met:

(i) The Subsequent Deferral Election does not take effect until at least twelve (12) months after the date on which the Subsequent Deferral Election is made and approved by the Plan Administrator;

(ii) If the Subsequent Deferral Election relates to a payment based on Separation from Service or at a Specified Time, the Subsequent Deferral Election must result in payment being deferred for a period of not less than five (5) years from the date the first amount was scheduled to be paid;

(iii) If the Subsequent Deferral Election relates to a payment at a Specified Time, the Participant must make the Subsequent Deferral Election not less than twelve (12) months before the date the first amount was scheduled to be paid.

For purposes of applying this Section 8.1(d), installment payments shall be treated as a "single payment." Any election made pursuant to this Section shall be made on such Election Forms or electronic media as is required by the Plan Administrator, in accordance with the rules established by the Plan Administrator and shall comply with all requirements of Section 409A.

**8.2 Separation from Service.** In the event of a Participant's Separation from Service (other than for death), the Company shall pay the Participant in the form of payment elected in accordance with Section 4.4. Payment shall be made or commence on January 15<sup>th</sup> of the calendar year following the date of Separation from



Service and each January 15<sup>th</sup> thereafter in the case of installment payments. The amount of each payment shall be determined by dividing the value of the Participant's vested Account balance(s) as of December 31<sup>st</sup> prior to the January 15<sup>th</sup> payment date by the number of payments remaining to be paid.

(a) **Required Delay for Specified Employee of a Public Company.** If a Participant is considered a "specified employee" of a public company, pursuant to Code Section 409A(a)(2)(B)(i), then solely to the extent necessary to avoid penalties under Section 409A, payments to be made as a result of a Separation from Service under this Article may not commence earlier than six (6) months after the Participant's Separation from Service. In the event a distribution is delayed pursuant to this paragraph, any amounts otherwise payable during the six months shall be accumulated and paid in a lump sum on the first day of the seventh month following Separation from Service.

8.3 **Disability.** In the event a Participant becomes Disabled while employed by the Company, the Company shall pay to the Participant his or her Account balance in the form of payment elected by the Participant in accordance with Section 4.4. Payment shall be made or commence within ninety (90) days following the date of Disability. The amount of each payment shall be determined by dividing the value of the Participant's Account balance as of the Disability (and each anniversary of Disability for subsequent installment payments) by the number of payments remaining to be paid.

8.4 **Death.**

(a) **While Employed.** In the event of a Participant's death while employed by the Company, the Company shall pay the Participant's vested Account balance in the form of payment elected by the Participant in accordance with Section 4.4. Payment shall be made or commence within ninety (90) days following the date of the Participant's death. The amount of each payment shall be determined by dividing the value of the Participant's Account balance as of the date of death (and each anniversary of the date of death for subsequent installment payments) by the number of payments remaining to be paid.

(b) **During Installments.** In the event of a Participant's death after installments have commenced, as applicable, but before receiving all installments owed, the Company shall continue to pay any remaining installments to the Participant's Beneficiary in accordance with the schedule the installments would have otherwise been paid to the Participant.

(c) **During a Delay.** In the event of a Participant's death after becoming entitled to a benefit but before payment is made or commences, as applicable, the Company shall pay the Participant's Beneficiary the same benefit the Participant would have received in accordance with the schedule the payment would have otherwise been paid to the Participant.

8.5 **Payment at a Specified Time.** A Participant shall be paid a Scheduled Withdrawal Account on January 15<sup>th</sup> (and each January 15<sup>th</sup> thereafter in the case of installment payments) of the year elected and in the form of payment elected by the Participant in accordance with Section 4.3. The amount of each payment shall be determined by dividing the value of the Participant's Scheduled Withdrawal Account balance as of December 31<sup>st</sup> prior to the January 15<sup>th</sup> payment date by the number of payments remaining to be paid. Notwithstanding anything contained herein to the contrary, should an event occur that triggers a payment under Separation from Service, Disability, or death, any Account balances subject to a Participant's Scheduled Withdrawal Account(s) that have not yet begun to be paid shall not be paid under the election as to time and form of the Participant's Scheduled Withdrawal Account, but instead shall be paid, in time and form, in accordance with the event that triggers the distribution and as permitted under Section 409A. Any Scheduled Withdrawal Accounts already in payout will continue to be paid in accordance with the Participant's Deferral Election for that Scheduled Withdrawal Account.





**8.6 Payment due to an Unforeseeable Emergency.** A Participant shall have the right to request, on a form provided by the Plan Administrator, a payment of all or a portion of his or her vested Account balance, in a lump sum payment due to an Unforeseeable Emergency. The Plan Administrator shall have the sole discretion to determine, in accordance with the standards under Section 409A, whether to grant such a request and the amount to be paid pursuant to such request.

(a) **Determination of Unforeseeable Emergency.** Whether a Participant is faced with an Unforeseeable Emergency permitting a lump sum payment is to be determined based on the relevant facts and circumstances of each case, but, in any case, a payment on account of an Unforeseeable Emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of deferrals under the Plan. Payments because of an Unforeseeable Emergency must be limited to the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the payment).

(b) **Payment of Account.** Payment shall be made within thirty (30) days following the determination by the Plan Administrator that a payment will be permitted under this Section 8.6.

**8.7 Permissible Payment Accelerations.** Except as specifically permitted herein or in other sections of this Plan, no acceleration of the time or schedule of any payment may be made hereunder. Notwithstanding the foregoing, payments may be accelerated hereunder by the Company (without any direct or indirect election on the part of any Participant), in accordance with the provisions of Treasury Regulation §1.409A-3(j)(4) and any subsequent guidance issued by the United States Treasury Department. Accordingly, payments may be accelerated, in accordance with the provisions of Treasury Regulation §1.409A-3(j)(4) in the following circumstances: (a) in limited cashouts (but not in excess of the limit under Code Section 402(g)(1)(B)); (b) to pay employment-related taxes; or (c) to pay any taxes that may become due at any time that the Plan fails to meet the requirements of Section 409A (but in no case shall such payments exceed the amount to be included in income as a result of the failure to comply with the requirements of Section 409A).

**8.8 Rights of Participant and Beneficiary.**

(a) **Creditor Status of Participant and Beneficiary.** The Plan constitutes the unfunded, unsecured promise of the Company to make payments to a Participant or Beneficiary in the future and shall be a liability solely against the general assets of the Company. The Company shall not be required to segregate, set aside or escrow any amounts for the benefit of a Participant or Beneficiary. A Participant and Beneficiary shall have the status of a general unsecured creditor of the Company and may look only to the Company and its general assets for payment of benefits under the Plan.

(b) **Investments.** In its sole discretion, the Company may acquire insurance policies, annuities or other financial vehicles for the purpose of providing future assets of the Company to meet its anticipated liabilities under the Plan. Such policies, annuities or other investments shall at all times be and remain unrestricted general property and assets of the Company. A Participant and his or her designated Beneficiary shall have no rights, other than as general creditors, with respect to such policies, annuities or other acquired assets. In the event that the Company purchases an insurance policy or policies insuring the life of a Participant or Employee, to allow the Company to recover or meet the cost of providing benefits, in whole or in part, hereunder, no Participant or Beneficiary shall have any rights whatsoever in said policy or the proceeds therefrom. The Company shall be the sole owner and beneficiary of any such insurance policy or property and shall possess and may exercise all incidents of ownership therein. No insurance policy with regard to any director, "highly compensated employee," or "highly compensated individual," as defined in



Code Section 101(j) shall be acquired before satisfying the Code Section 101(j) "Notice and Consent" requirements.

8.9 **Discharge of Obligations.** The payment to a Participant or his or her Beneficiary of the Account balance in full shall discharge all obligations of the Company to such Participant or Beneficiary under the Plan.

## ARTICLE 9 BENEFICIARY DESIGNATION

### 9.1 **Designation of Beneficiaries.**

(a) Each Participant may designate any person or persons (who may be named contingently or successively) to receive any benefits payable under the Plan upon the Participant's death, and the designation may be changed from time to time by the Participant by filing a new designation. Each designation will revoke all prior designations by the same Participant, shall be in the form prescribed by the Company, and shall be effective only when signed by the Participant and filed with the Company during the Participant's lifetime.

(b) In the absence of a valid Beneficiary designation, or if, at the time any benefit payment is due to a Beneficiary, there is no living Beneficiary validly named by the Participant, the Company shall pay the benefit payment to the Participant's spouse, if then living, and if the spouse is not then living to the Participant's then living descendants, if any, *per stirpes*, and if there are no living descendants, to the Participant's estate. In determining the existence or identity of anyone entitled to a benefit payment, the Company may rely conclusively upon information supplied by the Participant's personal representative, executor, or administrator.

(c) A Participant's designation of a Beneficiary will not be revoked or changed automatically by any future marriage or divorce. Should the Participant wish to change the designated Beneficiary in the event of a future marriage or divorce, the Participant will have to do so by means of filing a new designation.

(d) If a question arises as to the existence or identity of anyone entitled to receive a death benefit payment under the Plan, or if a dispute arises with respect to any death benefit payment under the Plan, the Company may distribute the payment to the Participant's estate without liability for any tax or other consequences, or may take any other action which the Company deems to be appropriate.

9.2 **Information to be furnished by Participants and Beneficiaries; Inability to Locate Participants or Beneficiaries.** Any communication, statement or notice addressed to a Participant or to a Beneficiary at his or her last post office address as shown on the Company's records shall be binding on the Participant or Beneficiary for all purposes of the Plan. The Company shall not be obliged to search for any Participant or Beneficiary beyond the sending of a registered letter to such last known address.

9.3 **Facility of Payment.** If the Plan Administrator determines in its discretion that a benefit is to be paid to a minor, to a person legally declared incompetent, or to a person legally deemed incapable of handling the disposition of that person's property, the Plan Administrator may direct payment of such benefit to the guardian, legal representative or person having care or custody of such minor, incompetent person or incapable person. The Plan Administrator may require proof of incompetence, minority or guardianship as it may deem appropriate prior to payment of the benefit. Any distribution of a benefit shall be a distribution for the account of the Participant and the Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such distribution amount.



## ARTICLE 10 PLAN AMENDMENT

10.1 **Right to Amend.** Subject to Section 409A, the Company, by action of its board of directors or similar governing body, shall have the right to amend the Plan, at any time and with respect to any provisions hereof, and all parties hereto or claiming any interest hereunder shall be bound by such amendment; provided, however, that no such amendment shall deprive a Participant or a Beneficiary of a benefit amount accrued hereunder prior to the date of the amendment without written consent of the Participant or Beneficiary.

10.2 **Amendments Required By Law.** Notwithstanding the provisions of Section 10.1, the Plan may be amended by the Company at any time, retroactively if required, if found necessary, in the opinion of the Company, in order to ensure that the Plan is characterized as a "top-hat" plan of deferred compensation maintained for a select group of management or highly compensated employees as described under ERISA sections 201(2), 301(a)(3), and 401(a)(1), to conform the Plan to the provisions of Section 409A, and to conform the Plan to the requirements of any other applicable law (including but not limited to ERISA and the Code). No such amendment shall be considered prejudicial to any interest of a Participant or a Beneficiary hereunder.

## ARTICLE 11 PLAN TERMINATION

11.1 **Company's Right to Suspend Plan.** The Company reserves the right to suspend the operation of the Plan for a fixed or indeterminate period of time, in its sole discretion. In the event of a suspension of the Plan, during the period of the suspension, the Company shall continue all aspects of the Plan other than crediting of Company Contributions, and Deferral Amounts shall be suspended effective with the first day of the Plan Year following the date the Plan is suspended. Payments of distributions will continue to be made during the period of the suspension in accordance with Article 8.

11.2 **Plan Termination and Liquidation under Section 409A.** Notwithstanding anything to the contrary in Section 11.1, any acceleration of the payment of benefits due to Plan termination and liquidation shall comply with the following subparagraphs, but only as permitted in accordance with Section 409A and Treasury Regulation §1.409A-3(j)(4)(ix). The Company may distribute all Participants' vested Account balances, determined as of the date of the termination of the Plan, subject to the terms below:

(a) Upon the Company's termination of this and all other arrangements that would be aggregated with this Plan pursuant to Treasury Regulation §1.409A-1(c) if a Participant participated in such arrangements ("Similar Arrangements"), provided that: (i) the termination does not occur proximate to a downturn in the financial health of the Company; (ii) all termination distributions are made no earlier than twelve (12) months and no later than twenty-four (24) months following such termination; and (iii) the Company does not adopt any new arrangement that would be a Similar Arrangement for a minimum of three (3) years following the date the Company takes all necessary action to irrevocably terminate and liquidate the Plan.

(b) Upon the Company's dissolution taxed under Code Section 331, or with approval of a bankruptcy court, provided that the amounts deferred under the Plan are included in the Participant's gross income in the latest of: (i) the calendar year in which the Plan terminates; (ii) the calendar year in which the amount is no longer subject to a substantial risk of forfeiture; or (iii) the first calendar year in which the payment is administratively practicable; or

(c) Within thirty (30) days before or twelve (12) months after a Change in Control, provided that all distributions are made no later than twelve (12) months following such termination of the Plan and further provided that all the Company's Similar Arrangements are terminated so the Participant and all



participants in the Similar Arrangements are required to receive all amounts of compensation deferred under the terminated arrangements within twelve (12) months of the termination of the Plan.

## ARTICLE 12 PLAN ADMINISTRATION

**12.1 Plan Administrator Duties.** The Plan Administrator shall be responsible for the management, operation, and administration of the Plan. When making a determination or calculation, the Plan Administrator shall be entitled to rely on information furnished by the Company, the Participants, or Beneficiaries. No provision of this Plan shall be construed as imposing on the Plan Administrator any fiduciary duty under ERISA or other law, or any duty similar to any fiduciary duty under ERISA or other law.

**12.2 Plan Administrator Authority.** The Plan Administrator shall enforce this Plan in accordance with its terms, shall be charged with the general administration of this Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To construe and interpret the terms and provisions of this Plan and to reconcile any inconsistency, in its sole and absolute discretion;
- (b) To compute and certify the amount payable to a Participant and his or her Beneficiaries; to determine the time and manner in which such benefits are paid; and to determine the amount of any withholding taxes to be deducted;
- (c) To maintain all records that may be necessary for the administration of this Plan;
- (d) To provide for the disclosure of all information and the filing or provision of all reports and statements to a Participant, Beneficiaries, and governmental agencies as shall be required by law;
- (e) To make and publish such rules for the regulation of this Plan and procedures for the administration of this Plan so long as such rules or procedures are not inconsistent with the terms hereof;
- (f) To administer this Plan's claims procedures;
- (g) To approve the forms and procedures for use under this Plan; and
- (h) To employ such persons or organizations, including without limitation, actuaries, attorneys, accountants, independent fiduciaries, recordkeepers and administrative consultants, to render advice or perform services with respect to the responsibilities of the Plan Administrator under the Plan.

**12.3 Binding Effect of Decision.** The decision or action of the Plan Administrator with respect to any question arising out of or in connection with the administration, interpretation, and application of this Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in this Plan.

**12.4 Compensation and Expenses.** The Plan Administrator shall serve without compensation for services rendered hereunder. The Plan Administrator is authorized at the expense of the Company to employ such legal counsel and/or Plan recordkeeper as it may deem advisable to assist in the performance of its duties hereunder. Expense and fees in connection with the administration of this Plan shall be paid by the Company.

**12.5 Compliance with Section 409A.**





(a) Notwithstanding anything contained herein to the contrary, the interpretation and distribution of Participants' benefits under the Plan shall be made in a manner and at such times as to comply with all applicable provisions of Section 409A and the regulations and guidance promulgated thereunder, or an exception or exclusion therefrom to avoid the imposition of any accelerated or additional taxes. Any defined terms shall be construed consistent with Section 409A and any terms not specifically defined shall have the meaning set forth in Section 409A.

(b) The intent of this Section is to ensure that the Participants are not subject to any tax liability or interest penalty, by reason of the application of Code Section 409A(a)(1) as a result of any failure to comply with all the requirements of Section 409A, and this Section shall be interpreted in light of, and consistent with, such requirements. This Section shall apply to distributions under the Plan, but only to the extent required in order to avoid taxation of, or interest penalties on, a Participant under Section 409A. These rules shall also be deemed modified or supplemented by such other rules as may be necessary, from time to time, to comply with Section 409A.

### ARTICLE 13 CLAIMS PROCEDURES

13.1 **Claims Procedure.** This Article is based on Department of Labor Regulation Section 2560.503-1. If any provision of this Article conflicts with the requirements of those regulations, the requirements of those regulations will prevail. A Claimant who has not received benefits under the Plan that he or she believes should be paid shall make a claim for such benefits as follows:

(a) **Initiation - Written Claim.** The Claimant initiates a claim by submitting a written request for the benefits to the Plan Administrator. The Plan Administrator will, upon written request of a Claimant, make available copies of all forms and instructions necessary to file a claim for benefits or advise the Claimant where such forms and instructions may be obtained. If the claim relates to Disability benefits, then the Plan Administrator shall designate a sub-committee to conduct the initial review of the claim (and applicable references below to the Plan Administrator shall mean such sub-committee).

(b) **Timing of Company Response.** The Plan Administrator shall respond to such Claimant within ninety (90) days after receiving the claim. If the Plan Administrator determines that special circumstances require additional time for processing the claim, the Plan Administrator can extend the response period by an additional ninety (90) days by notifying the Claimant in writing prior to the end of the initial 90-day period that an additional period is required. In the event that the claim for benefits pertains to Disability, the Plan Administrator shall provide written response within forty-five (45) days, but can extend this response period by an additional thirty (30) days, if necessary, due to circumstances beyond the Plan Administrator's control. Any notice of extension must set forth the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render its decision.

(c) **Notice of Decision.** If the Plan Administrator denies the claim, in whole or in part, the Plan Administrator shall notify the Claimant in writing of such denial. The Plan Administrator shall write the notification in a manner calculated to be understood by the Claimant. The notification shall set forth:

- (i) The specific reasons for the denial;
- (ii) A reference to the specific provisions of the Plan on which the denial is based;
- (iii) A description of any additional information or material necessary for the Claimant to perfect the claim and an explanation of why it is needed;
- (iv) An explanation of the Plan's review procedures and the time limits applicable to such procedures; and
- (v) A statement of the Claimant's right to bring a civil action under ERISA Section 502(a)



following an adverse benefit determination on review.

13.2 **Review Procedure.** If the Plan Administrator denies the claim, in whole or in part, the Claimant shall have the opportunity for a full and fair review by the Plan Administrator of the denial, as follows:

(a) **Initiation - Written Request.** To initiate the review, the Claimant, within sixty (60) days after receiving the Plan Administrator's notice of denial, must file with the Plan Administrator a written request for review.

(b) **Review of a Disability Benefit Claim.** If the Claimant's initial claim is for Disability benefits, any review of a denied claim shall be made by members of the Plan Administrator other than the original decision maker(s) and such person(s) shall not be a subordinate of the original decision maker(s).

(c) **Additional Submissions - Information Access.** The Claimant shall then have the opportunity to submit written comments, documents, records and other information relating to the claim. The Plan Administrator shall also provide the Claimant, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the Claimant's claim for benefits.

(d) **Considerations on Review.** In considering the review, the Plan Administrator shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. Additional considerations shall be required in the case of a claim for Disability benefits. For example, the claim will be reviewed without deference to the initial adverse benefits determination and, if the initial adverse benefit determination was based in whole or in part on a medical judgment, the Plan Administrator will consult with a health care professional with appropriate training and experience in the field of medicine involving the medical judgment. The health care professional who is consulted on appeal will not be the same individual who was consulted during the initial determination or the subordinate of such individual. If the Plan Administrator obtained the advice of medical or vocational experts in making the initial adverse benefits determination (regardless of whether the advice was relied upon), the Plan Administrator will identify such experts.

(e) **Timing of Company Response.** The Plan Administrator shall respond in writing to such Claimant within sixty (60) days after receiving the request for review. If the Plan Administrator determines that special circumstances require additional time for processing the claim, the Plan Administrator can extend the response period by an additional sixty (60) days by notifying the Claimant in writing, prior to the end of the initial 60-day period that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Plan Administrator expects to render its decision.

(f) **Notice of Decision.** The Plan Administrator shall notify the Claimant in writing of its decision on review. The Plan Administrator shall write the notification in a manner calculated to be understood by the Claimant. The notification shall set forth:

- (i) The specific reasons for the denial;
- (ii) A reference to the specific provisions of the Plan on which the denial is based;
- (iii) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the Claimant's claim for benefits; and
- (iv) A statement of the Claimant's right to bring a civil action under ERISA Section



502(a).

**13.3 Calculation of Time Periods.** For purposes of the time periods specified in this Article, the period of time during which a benefit determination is required to be made begins at the time a claim is filed in accordance with the Plan procedures without regard to whether all the information necessary to make a decision accompanies the claim. If a period of time is extended due to a Claimant's failure to submit all information necessary, the period for making the determination shall be tolled from the date the notification is sent to the Claimant until the date the Claimant responds.

**13.4 Exhaustion of Remedies.** A Claimant must follow the claims review procedures under this Plan and exhaust his or her administrative remedies before taking any further action with respect to a claim for benefits.

**13.5 Failure of Plan to Follow Procedures.** If the Plan fails to establish or follow the claims procedures required by this Article, a Claimant shall be deemed to have exhausted the administrative remedies available under the Plan and shall be entitled to immediately pursue any available remedy under ERISA Section 502(a) on the basis that the Plan has failed to provide a reasonable claims procedure that would yield a decision on the merits of the claim. The Claimant may request a written explanation of the violation from the Plan, and the Plan must provide such explanation within ten (10) days, including a specific description of its bases, if any, for asserting that the violation should not cause the administrative remedies to be deemed exhausted. If a court rejects the Claimant's request for immediate review on the basis that the Plan met the standards for the exception, the claim shall be considered as re-filed on appeal upon the Plan's receipt of the decision of the court. Within a reasonable time after the receipt of the decision, the Plan shall provide the claimant with notice of the resubmission.

**13.6 Arbitration.** If a Claimant continues to dispute the benefit denial based upon completed performance of the Plan or the meaning and effect of the terms and conditions thereof, then the Claimant must submit the dispute to an arbitrator for final arbitration. The arbitrator shall be selected by mutual agreement of the Company and the Claimant. The arbitrator shall operate under any generally recognized set of arbitration rules. The parties hereto agree that they and their heirs, personal representatives, successors and assigns shall be bound by the decision of such arbitrator with respect to any controversy properly submitted to it for determination. Where a dispute arises as to the Company's discharge of a Participant for Cause, such dispute shall likewise be submitted to arbitration as above described and the parties hereto agree to be bound by the decision thereunder.

#### **ARTICLE 14 MISCELLANEOUS**

**14.1 Validity.** In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.

**14.2 Nonassignability.** Neither any Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, alienate, or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part hereof, which are, and all rights to which are expressly declared to be, unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony, or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency, or be transferable to a spouse as a result of a property settlement or otherwise. If any Participant, Beneficiary, or successor in interest is adjudicated bankrupt or purports to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber transfer, hypothecate, alienate, or convey in advance of actual receipt, the amount, if any, payable hereunder, or any part thereof, the Plan Administrator, in its discretion, may cancel such distribution or payment (or any part thereof) to or



for the benefit of such Participant, Beneficiary, or successor in interest in such manner as the Plan Administrator shall direct.

14.3 **Not a Contract of Employment.** The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Company and the Employee. Nothing in this Plan shall be deemed to give the Employee the right to be retained in the service of the Company as an Employee or otherwise or to interfere with the right of the Company to discipline or discharge the Employee at any time.

14.4 **Governing Law.** The Plan shall be administered, construed and governed in all respects under and by the laws of State of Delaware, without reference to the principles of conflicts of law (except and to the extent preempted by applicable federal law).

14.5 **Notice.** Any notice, consent or demand required or permitted to be given under the provisions of this Plan shall be in writing and shall be signed by the party giving or making the same. If such notice, consent or demand is mailed, it shall be sent by United States certified mail, postage prepaid, addressed to the addressee's last known address as shown on the records of the Company. The date of such mailing shall be deemed the date of notice consent or demand. Any person may change the address to which notice is to be sent by giving notice of the change of address in the manner aforesaid.

14.6 **Coordination with Other Benefits.** The benefits provided for a Participant or a Participant's Beneficiary under this Plan are in addition to any other benefits available to such Participant under any other plan or program for employees of the Company. This Plan shall supplement and shall not supersede, modify, or amend any other such plan or program except as may otherwise be expressly provided herein.

14.7 **Unclaimed Benefits.** In the case of a benefit payable on behalf of such Participant, if the Plan Administrator is unable to locate the Participant or Beneficiary to whom such benefit is payable after reasonable efforts have been undertaken by the Plan Administrator to locate such party(ies), such Plan benefit may be forfeited to the Company upon the Plan Administrator's determination. Notwithstanding the foregoing, if, subsequent to any such forfeiture, the Participant or Beneficiary to whom such Plan benefit is payable makes a valid claim for such Plan benefit, such forfeited Plan benefit shall be paid by the Plan Administrator to the Participant or Beneficiary, without interest, from the date it would have otherwise been paid.

The Company executes this Plan as of the date first written above.

**APOLLO MEDICAL HOLDINGS, INC.:**

DocuSigned by:  
By: Chandan Basho  
68A6EA55D7B0401...

Title: Chief Strategy and Financial Officer

Printed Name: Chandan Basho







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

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

1. I have reviewed this quarterly report on Form 10-Q of Apollo Medical Holdings, Inc.;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
  5. The registrant's other certifying officers 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.
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Date: August 9, 2023

/s/ Thomas Lam

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

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

I, Brandon Sim, 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
  5. The registrant's other certifying officers 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.
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Date: August 9, 2023

/s/ Brandon Sim

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**Brandon Sim**  
Co-Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

## PURSUANT TO

## SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Chandan Basho, 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
  5. The registrant's other certifying officers 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.
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Date: August 9, 2023

/s/ Chandan Basha

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**Chandan Basha**  
Chief Financial and Strategy Officer  
(Principal Financial Officer)

## CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICERS AND PRINCIPAL FINANCIAL OFFICER

PURSUANT TO

18 U.S.C. SECTION 1350.

AS ADOPTED PURSUANT TO

## SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas Lam, M.D., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Apollo Medical Holdings, Inc. for the quarter ended June 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Apollo Medical Holdings, Inc.

Date: August 9, 2023

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*/s/ Thomas Lam*

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

I, Brandon Sim, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Apollo Medical Holdings, Inc. for the quarter ended June 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Apollo Medical Holdings, Inc.

Date: August 9, 2023

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*/s/ Brandon Sim*

**Brandon Sim**  
Co-Chief Executive Officer  
(Principal Executive Officer)

I, Chandan Basho, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Apollo Medical Holdings, Inc. for the quarter ended June 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Apollo Medical Holdings, Inc.

Date: August 9, 2023

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*/s/ Chandan Basho*

**Chandan Basho**  
Chief Financial and Strategy Officer  
(Principal Financial Officer)