

Apollo Medical Holdings, Inc.
Form S-8
December 06, 2017

As filed with the Securities and Exchange Commission on December 5, 2017

Registration No. 333-

UNITED STATES

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM S-8

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

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

Delaware **46-3837784**
(State of Incorporation) (I.R.S. Employer Identification No.)

700 North Brand Boulevard

Suite 1400

Glendale, California 91203

(Address of principal executive offices including zip code)

Written Compensation Contracts Between the Registrant And Certain Directors, Employees and Consultants

(Full titles of the plan)

Warren Hosseinion, M.D.

President and Chief Executive Officer

Apollo Medical Holdings, Inc.

700 North Brand Boulevard, Suite 1400

Glendale, California 91203

(Name and address of agent for service)

(818) 396-8050

(Telephone number, including area code, of agent for service)

Copies to:

P. Rupert Russell, Esq.

Shartsis Friese LLP

One Maritime Plaza, 18th Floor

San Francisco, California 94111

(415) 421-6500

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 definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(3)	Proposed Maximum Aggregate Offering Price(3)	Amount of Registration Fee
Common Stock (par value \$0.001 per share)	524,689	(2) \$ 8.95	\$ 4,695,967	\$ 585

Pursuant to Rule 416 under the Securities Act of 1933, as amended, this Registration Statement shall cover an indeterminate number of additional shares of Common Stock that may become issuable under any written (1) compensation contracts entered into by Apollo Medical Holdings, Inc. (the "Registrant") and the Selling Stockholders, named in the Reoffer Prospectus attached to this Registration Statement, by reason of any stock dividend, stock split, recapitalization or any other similar transaction.

(2) Consists of 524,689 shares of the Registrant's common stock (par value \$0.001 per share) issued pursuant to the applicable written compensation contracts between the Registrant and each of the following directors, employees or consultants of the Registrant: Gary Augusta, Suresh Nihalani, Kaneohe Advisors LLC, Warren Hosseinion, M.D. and Nidia Flores (after giving effect to a 1-for-10 reverse stock split effected on April 24, 2015).

(3) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(c) and Rule 457(h) under the Act. The offering price per share and aggregate offering price are based on the average of the high and low prices (\$9 per share and \$8.90 per share, respectively) of the Registrant's Common Stock as reported on the OTC Markets' OTC Pink on November 29, 2017.

EXPLANATORY NOTE

Apollo Medical Holdings, Inc. (the “Registrant”) has prepared this registration statement in accordance with the requirements of Form S-8 under the Securities Act of 1933, as amended (the “Securities Act”), to register, for reoffers and resales to be made on a continuous or delayed basis, certain shares of common stock, par value \$0.001, (“Common Stock”) of the Registrant, issued under written compensation contracts entered into by the Registrant and certain directors, employees and consultants of the Registrant for past services rendered to the Registrant.

This registration statement contains two parts. The first part contains a Reoffer Prospectus prepared in accordance with the requirements of Part I of Form S-3 under the Securities Act. The second part contains information required in the registration statement under Part II of Form S-8.

PART I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

The information called for by Part I of Form S-8 is omitted from this Registration Statement in accordance with Rule 428 of the Securities Act of 1933, as amended (the “Securities Act”). In accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”) and the introductory note to Part I of Form S-8, such documents are not being filed with the SEC either as part of this Registration Statement or as prospectuses or prospectus supplements pursuant to Rule 424 under the Securities Act.

REOFFER PROSPECTUS

Apollo Medical Holdings, Inc.

700 North Brand Boulevard
Suite 1400
Glendale, California 91203

(818) 396-8050

524,689 Shares of Common Stock

This Reoffer Prospectus relates to up to an aggregate of 524,689 shares of common stock, par value \$0.001 per share (“Common Stock”), of Apollo Medical Holdings, Inc., a Delaware corporation (the “Company” or “ApolloMed”), which shares may be offered and sold from time to time by stockholders of the Company identified in this Reoffer Prospectus (the “Selling Stockholders”) for their own account. See “Selling Stockholders” beginning on page 54. Common Stock is currently quoted on OTC Pink and traded under the symbol “AMEH.” On November 29, 2017, the last reported sale price of Common Stock was \$9 per share. The Company has applied for listing of its common stock on the NASDAQ Stock Market effective. No assurance can be given that Common Stock will trade on the NASDAQ Stock Market.

The shares of Common Stock included in this Reoffer Prospectus are “restricted securities” pursuant to Rule 144(A)(3) promulgated under the Securities Act of 1933, as amended (the “Securities Act”), acquired by the Selling Stockholders prior to the filing of the Registration Statement to which this Reoffer Prospectus is attached. This Reoffer Prospectus has been prepared for the purposes of registering such shares of Common Stock under the Securities Act to allow future offers and sales by the Selling Stockholders on a continuous or delayed basis without restriction. To the knowledge of the Company, the Selling Stockholders have no arrangement with any brokerage firm for the sale of Common Stock as of date of this Reoffer Prospectus. The Company will receive no part of the proceeds from sales made under this Reoffer Prospectus. Shares included in this Reoffer Prospectus may be offered from time to time by any of the Selling Stockholders in ordinary brokerage transactions, in negotiated transactions in other transactions, as such prices as such stockholder may determine, which may related to market prices prevailing at the time of sale or be negotiated prices.

The Selling Stockholders, any brokers executing selling orders on their behalf and any participating dealers may be deemed to be “underwriters” within the meaning of the Securities Act, in which event any profit on the sale of Common Stock by the Selling Stockholders and any commissions or discounts received by brokers or dealers in connection with the sale of Common Stock may be deemed to be underwriting compensation under the Securities Act. All costs, expenses and fees in connection with this Reoffer Prospectus and the Registration Statement to which this Reoffer Prospectus is attached have been borne by the Company. The Selling Stockholders will bear all brokerage or sales commissions and similar selling expenses, if any.

INVESTING IN COMMON STOCK INVOLVES SIGNIFICANT RISKS. YOU SHOULD CONSIDER CAREFULLY THE RISK FACTORS BEGINNING ON PAGE 11 OF THIS REOFFER PROSPECTUS BEFORE PURCHASING ANY COMMON STOCK. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS REOFFER PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Information provided pursuant to this Reoffer Prospectus does not necessarily indicate that the Selling Stockholder presently intends to sell any or all of the shares included herein. This Reoffer Prospectus is not an offer to sell any securities and is not soliciting an offer to buy any securities in any state where the offer or sale is not permitted. This Reoffer Prospectus or any supplement may only be used where it is legal to sell the applicable shares of Common Stock included in this Reoffer Prospectus. You should only rely on the information incorporated by reference or provided in this Reoffer Prospectus or any supplement. The Company has not authorized anyone else to provide you with different information. Regardless of the time of delivery of this Reoffer Prospectus or of any offer or sale of Common Stock, you should not assume that the information in this Reoffer Prospectus or any supplement is accurate as of any date other than the date on the front of those documents, as the information provided herein, including without limitation, the Company’s business, financial condition, results of operations and prospects, may have changed since that date.

The date of this Reoffer Prospectus is December 5, 2017

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Unless the context dictates otherwise, references in this Reoffer Prospectus to the “Company,” the “Registrant,” “we,” “us,” “our,” “ApolloMed” and similar words are to Apollo Medical Holdings, Inc., a Delaware corporation, its consolidated subsidiaries and affiliated medical groups (including variable interest entities). The Centers for Medicare & Medicaid Services (“CMS”) have not reviewed any statements contained in this Reoffer Prospectus.

FORWARD-LOOKING STATEMENTS

This document contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including, but not limited to, statements about the Merger (defined below in “*Prospectus Summary*”), the benefits of the Merger, our post-Merger business, financial condition, operating results, plans, objectives, expectations and intentions, the expected timing of completion of the Merger, any projections of earnings, revenue or other financial items, such as our projected capitation from CMS; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services, developments, mergers or acquisitions, including the Merger; any statements regarding management's view of future expectations, plans and prospects for us; any statements about prospective adoption of new accounting standards or effects of changes in accounting standards; any statements regarding future economic conditions or performance; any statements of belief; any statements of assumptions underlying any of the foregoing; and other statements that are not historical facts. Forward-looking statements may be identified by the use of forward-looking terms such as “anticipate,” “could,” “can,” “may,” “might,” “potential,” “predict,” “sh,” “estimate,” “expect,” “project,” “believe,” “think,” “plan,” “envision,” “intend,” “continue,” “target,” “seek,” “contemplate,” “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 report and are subject to change. Except as required by law, we do not intend, and undertake no obligation, to update any forward-looking statement, whether as a result of the receipt of new information, the occurrence of future events, the change of circumstances or otherwise. We further do not accept any responsibility for any projections or reports published by analysts, investors or other third parties.

Forward-looking statements involve risks and uncertainties and are based on the current beliefs, expectations and certain assumptions of the Company’s management. Some or all of such beliefs, expectations and assumptions may not materialize or may vary significantly from actual results. We further caution that 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, or otherwise, from those in the forward-looking statements in this document.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and significant risks and uncertainties that could cause actual condition, outcomes and results to differ materially from those indicated by such statements, including, without limitation, the risk factors discussed in this document, in our Annual Report on Form 10-K for the year ended March 31, 2017 filed on June 29, 2017, in the Registration Statement Amendment No. 2 on Form S-4/A filed by us and Network Medical Management, Inc. (“NMM”) on November 9, 2017, and in the Rule 424(b)(3) prospectus filed by us and NMM on November 15, 2017. Some of the key factors impacting these risks and uncertainties include, but are not limited to:

· risks related to our ability to raise capital as equity or debt to finance our ongoing operations and new acquisitions, for liquidity, or otherwise;

· our ability to retain key individuals, including our Chief Executive Officer, Warren Hosseinion, M.D., and other members of senior management;

· the impact of rigorous competition in the healthcare industry generally;

· the uncertainty regarding the adequacy of our liquidity to pursue our business objectives;

· the fluctuations in the market value of our common stock;

· the impact on our business, if any, as a result of changes in the way market share is measured by third parties;

· our dependence on a few key payors;

· whether or not we receive an “all or nothing” annual payment from the CMS in connection with our participation in the Medicare Shared Savings Program (the “MSSP”);

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

· changes in federal and state programs and policies regarding medical reimbursements and capitated payments for health services we provide;

· the overall success of our acquisition strategy in locating and acquiring new businesses, and the integration of any acquired businesses with our existing operations;

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

· changing rules and regulations regarding reimbursements for medical services from private insurance, on which we are significantly dependent in generating revenue;

· any outbreak or escalation of acts of terrorism or natural disasters;

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

· industry-wide market factors, laws, regulations and other developments affecting our industry in general and our operations in particular, including the impact of any change to applicable laws and regulations relating to trade, monetary and fiscal policies, taxes, price controls, regulatory approval of new products, licensing and healthcare reform;

· general economic uncertainty;

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

· risks related to changes in accounting literature or accounting interpretations;

the impact, including additional costs, of mandates and other obligations that may be imposed upon us as a result of new or revised federal and state healthcare laws, such as the Patient Protection and Affordable Care Act (the “ACA”), the rules and regulations promulgated thereunder, any executive or regulatory action with respect thereto and any changes with respect to any of the foregoing by legislative bodies (including the 115th United States Congress), including any possible repeal thereof;

risks related to our ability to consummate the pending Merger with NMM and, if the Merger is consummated, successfully integrate our operations with those of NMM; including (i) the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement or affect the timing or ability to complete the Merger as contemplated, such as the inability to complete the Merger due to the failure to obtain stockholder approval or the failure to satisfy other conditions to the closing of the Merger or for any other reason or the occurrence of any legal or regulatory proceedings or other matters that affect the timing or ability to complete the Merger as contemplated; (ii) the effects of the Merger on our current plans, operations, financial results and business relationships, including any disruption from the Merger or the termination of the Merger Agreement on our current plans, operations and business relationships; (iii) diversion of management time on issues related to the Merger; (iv) the amount of costs, fees, expenses, impairments and charges related to the Merger; (v) the risk that the businesses of NMM and the Company will not be integrated successfully, or that the integration will be more costly or more time consuming and complex than anticipated; (vi) the risk that synergies anticipated to be realized from the Merger may not be fully realized or may take longer to realize than expected; and (vii) the uncertainty regarding the adequacy of the post-Merger combined company’s liquidity to pursue its business objectives; and

general inefficiencies of trading on junior markets or quotations systems, including the need to comply on a state-by-state basis with state “blue sky” securities laws for the resale of our common stock currently quoted on OTC Pink, and the uncertainty related to our application for listing of our common stock on the NASDAQ Stock Market effective as of the closing of the Merger as no assurance can be given that our common stock will trade on the NASDAQ Stock Market.

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see the section entitled “Risk Factors,” beginning on page 11 of this Reoffer Prospectus, the section entitled “Risk Factors,” beginning on page 39 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, filed with the Securities and Exchange Commission (the “SEC”) on November 14, 2017, the section entitled “Risk Factors,” beginning on page 28 of our Annual Report on Form 10-K for the year ended March 31, 2017, filed with the SEC on June 29, 2017, the section entitled “Risk Factors,” beginning on page 44 of the Registration Statement Amendment No. 2 on Form S-4/A filed with the SEC by us and NMM on November 9, 2017, and the section entitled “Risk Factors,” beginning on page 29 of the Rule 424(b)(3) prospectus filed by us and NMM on November 15, 2017. In light of the foregoing, investors are advised to carefully read this Report in connection with the important disclaimers set forth above and are urged not to rely on any forward-looking statements in reaching any conclusions or making any investment decisions about us or our securities.

PROSPECTUS SUMMARY

This summary highlights selected information appearing elsewhere in this Reoffer Prospectus. This summary is not complete and does not contain all the information you should consider before investing in Common Stock. You should carefully read the entire prospectus, including the “Risk Factors” section beginning on page 11 of this Reoffer Prospectus and the financial statements and the other information incorporated by reference in this Reoffer Prospectus, before making an investment decision. If you invest in Common Stock, you are assuming a high degree of risk.

Overview

Apollo Medical Holdings, Inc. and its affiliated physician groups are a physician-centric integrated population health management company working to provide coordinated, outcomes-based medical care in a cost-effective manner.

ApolloMed implements and operates innovative health care models to create a patient-centered, physician-centric experience. ApolloMed have the following integrated, synergistic operations:

Hospitalists, which includes contracted physicians who focus on the delivery of comprehensive medical care to hospitalized patients;

An accountable care organization (“ACO”) participating in the Medicare Shared Savings Program (the “MSSP”), which focuses on providing high-quality and cost-efficient care to Medicare fee-for-service (“FFS”) patients;

A next generation accountable care organization (“NGACO”), which started operations on January 1, 2017, and focuses on providing high-quality and cost-efficient care for Medicare FFS patients;

An independent practice association (“IPA”), which contracts with physicians and provides care to Medicare, Medicaid, commercial and dual-eligible patients on a risk- and value-based fee basis;

One clinic, which provides specialty care in the greater Los Angeles area;

Hospice care, Palliative care, and home health services, which include at-home and end-of-life services; and

A cloud-based population health management IT platform, which was acquired in January 2016, and includes digital care plans, a case management module, connectivity with multiple healthcare tracking devices and also integrates clinical data.

ApolloMed operates in one reportable segment, the healthcare delivery segment. ApolloMed's revenue streams are diversified among various operations and contract types, and include:

· Traditional FFS reimbursement; and

· Risk and value-based contracts with health plans, third party IPAs, hospitals and the NGACO and MSSP sponsored by CMS, which are the primary revenue sources for hospitalists, ACOs, IPAs and hospice/palliative care operations.

ApolloMed serves Medicare, Medicaid and health maintenance organization ("HMO") patients, and uninsured patients, in California. ApolloMed primarily provides services to patients who are covered predominantly by private or public insurance, although ApolloMed derives a small portion of its revenue from non-insured patients. ApolloMed 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. ApolloMed's physician network consists of hospitalists, primary care physicians and specialist physicians primarily through ApolloMed's owned and affiliated physician groups.

ApolloMed operates through its subsidiaries, including:

- Apollo Palliative Care Services, LLC (“APS”);
- Apollo Medical Management, Inc. (“AMM”)
- Pulmonary Critical Care Management, Inc. (“PCCM”)
- Verdugo Medical Management, Inc. (“VMM”); and
- ApolloMed Accountable Care Organization, Inc. (“ApolloMed ACO”).

ApolloMed has a controlling interest in APS, which owns two Los Angeles-based companies, Best Choice Hospice Care LLC (“BCHC”) and Holistic Care Home Health Care Inc. (“HCHHA”). ApolloMed’s palliative care services focuses on providing relief from the symptoms and stress of a serious illness.

AMM, PCCM and VMM each operates as a physician practice management company and is in the business of providing management services to physician practice corporations under long-term MSAs, pursuant to which AMM, PCCM or VMM, as applicable, manages certain non-medical services for the physician group and has exclusive authority over all non-medical decision making related to ongoing business operations. The MSAs that AMM, PCCM and VMM enter into with physician groups generally provide for management fees that are recognized as earned based on a percentage of revenues or cash collections generated by the physician practices.

Through AMM, ApolloMed manages a number of affiliates pursuant to their long-term MSAs with AMM, including:

- ApolloMed Hospitalists (“AMH”), ApolloMed’s initial business;
- Maverick Medical Group, Inc. (“MMG”);
- Southern California Heart Centers (“SCHC”); and

· Bay Area Hospitalist Associates, a Medical Corporation (“BAHA”).

In 2012, ApolloMed formed an ACO, ApolloMed ACO, which participates in the MSSP to improve the quality of patient care and outcomes through more efficient and coordinated approach among providers, and an IPA, MMG. In 2013, ApolloMed expanded service offering to include integrated inpatient and outpatient services through MMG.

In 2014, ApolloMed added several complementary operations by acquiring an IPA, AKM Medical Group, Inc. (“AKM”), outpatient primary care and specialty clinics, as well as hospice/palliative care and home health entities. During fiscal year 2016, ApolloMed combined the operations of AKM into those of MMG.

In 2014, ApolloMed acquired SCHC, a specialty clinic that focuses on cardiac care and diagnostic testing.

In 2016, ApolloMed acquired a controlling interest in BAHA. BAHA is a hospitalist, intensivist and post-acute care practice with a presence at three acute care hospitals, one long-term acute care hospital and several skilled nursing facilities in San Francisco.

In 2016, through Apollo Care Connect, ApolloMed acquired certain technology and other assets of Healarium, Inc., which provides ApolloMed with a population health management platform that includes digital care plans, a case management module, connectivity with multiple healthcare tracking devices and the ability to integrate with multiple electronic health records to capture clinical data.

On January 18, 2017, CMS announced that APAACO, which is owned 50% by ApolloMed and 50% by Network Medical Management, Inc. (“NMM”), has been approved to participate in CMS’ Next Generation ACO Model (the “NGACO Model”). The NGACO Model is a new CMS program that builds upon previous ACO programs. Through this new model, CMS will partner with APAACO and other accountable care organizations (“ACOs”) experienced in coordinating care for populations of patients and whose provider groups are willing to assume higher levels of financial risk and potentially achieve a higher reward from participating in this new attribution-based risk sharing model. The NGACO program began on January 1, 2017. AMM has a long-term management services agreement with APAACO. APAACO is consolidated as a variable interest entity by AMM as it was determined that AMM is the primary beneficiary of APAACO. APAACO chose to participate in the All-Inclusive Population-Based Payment (“AIPBP”) payment mechanism of the NGACO Model. Under the AIPBP payment mechanism, CMS estimates the total annual Part A and Part B Medicare expenditures of APAACO’s assigned Medicare beneficiaries and pays that projected amount in per beneficiary per month payments. In October 2017, CMS notified APAACO that it has not been renewed for participation in the AIPBP payment mechanism of the NGACO Model for performance year 2018 due to certain alleged deficiencies in performance by APAACO. On November 9, 2017, APAACO submitted a request for reconsideration to CMS. If APAACO is not successful in convincing CMS to reverse its decision then the payment mechanism under the NGACO Model would default to traditional Fee For Service (“FFS”). This would result in the loss in monthly revenues and cash flow currently being generated by APAACO, currently at a rate of approximately \$9.3 million per month, and would thus have a material adverse effect on ApolloMed’s future revenues and potential cash flow.

Corporate Information

Apollo Medical Holdings, Inc. was incorporated in the State of Delaware on November 1, 1985 under the name McKinnely Investment, Inc. On November 5, 1986 McKinnely Investment, Inc. changed its name to Acculine Industries, Incorporated and Acculine Industries, Incorporated changed its name to Siclone Industries, Incorporated on May 24, 1988. On July 3, 2008, Apollo Medical Management, Inc. (“AMM”) merged into a wholly-owned subsidiary of Siclone Industries, Inc., and Siclone Industries, Inc., as the surviving entity from the merger, simultaneously changed its name to Apollo Medical Holdings, Inc.

On December 21, 2016, ApolloMed entered into an Agreement and Plan of Merger (the “Merger Agreement”) among ApolloMed, Apollo Acquisition Corp., a wholly-owned subsidiary of ApolloMed (“Merger Subsidiary”), Network Medical Management, Inc. (“NMM”) and Kenneth Sim, M.D. (as the representative of the shareholders of NMM), pursuant to which NMM, one of the largest healthcare management services organizations in the United States that currently is responsible for coordinating the care for over 600,000 covered patients in Southern and Central California through a network of ten IPAs with over 4,000 contracted physicians, will merge into Merger Subsidiary (the “Merger”), and upon consummation of the Merger, NMM shareholders will receive such number of shares of Common Stock such that, after giving effect to the Merger and assuming there would be no dissenting NMM shareholders at the closing, NMM shareholders will own 82% of the total issued and outstanding shares of Common Stock at the closing of the Merger and ApolloMed’s current stockholders will own the other 18% (the “Exchange Ratio”).

On March 30, 2017, NMM, ApolloMed and other relevant parties entered into an Amendment to the Merger Agreement (the “Merger Agreement Amendment No. 1”) to exclude, for purposes of calculating the Exchange Ratio, from “Parent Shares” (as defined in the Merger Agreement) 499,000 shares of Common Stock issued or issuable pursuant to a securities purchase agreement dated as of March 30, 2017, between ApolloMed and Alliance Apex, LLC (“Alliance”). As part of the Merger Agreement Amendment No. 1, the merger consideration to be paid by ApolloMed to NMM shareholders was amended to include warrants to purchase 850,000 shares of Common Stock at an exercise price of \$11 per share in the closing of the Merger. On October 17, 2017, ApolloMed entered into a second amendment to the Merger Agreement (the “Merger Agreement Amendment No. 2”). The Merger Agreement Amendment No. 2 extended the “End Date” (as defined in the Merger Agreement) to March 31, 2018. Pursuant to the Merger Agreement Amendment No. 2, upon consummation of the Merger (and assuming there will be no NMM dissenting shareholder interests as of the closing of the Merger), in addition to receiving such number of shares of Common Stock that represents 82% of the total issued and outstanding shares of Common Stock immediately following the consummation of the Merger and warrants to purchase 850,000 shares of Common Stock, NMM shareholders will be entitled to receive at the closing of the Merger an aggregate of 2,566,666 shares of Common Stock and warrants to purchase an aggregate of 900,000 shares of Common Stock exercisable at \$10.00 per share. Pursuant to the Merger Agreement Amendment No. 2, NMM also agreed to provide an additional \$4,000,000 working capital loan to ApolloMed as evidenced by a promissory note in the principal amount of \$9,000,000 (the “Restated NMM Note”), which replaces the previous promissory note issued to NMM in the principal amount of \$5,000,000, and is convertible into shares of Common Stock at a conversion price of \$10.00 per share (subject to adjustment for stock splits, dividends, recapitalizations and the like) within 10 business days prior to maturity. In addition, pursuant to its terms, the principal amount of the Restated NMM Note shall be increased to \$13,990,000 if ApolloMed fails to pay a

promissory note issued to Alliance in the principal amount of \$4,990,000 (the “Alliance Note”), and NMM will either pay all amounts owed under the Alliance Note or enter into another agreement with Alliance (such that in either case the Alliance Note is cancelled).

On August 11, 2017, NMM and ApolloMed filed a registration statement on Form S-4 with the Securities and Exchange Commission (the “SEC”) in connection with the Merger. On October 30, 2017 and November 9, 2017, respectively, NMM and ApolloMed filed an Amendment No. 1 on Form S-4/A and two additional amendments, Amendment No. 2 and Amendment No. 3 on Forms S-4/A, to the August 11, 2017 registration statement. On November 13, 2017, the SEC staff declared the Form S-4 registration statement as amended to be effective. On November 15, 2017, NMM and ApolloMed filed a Rule 424(b)(3) prospectus to reflect certain supplemental information to the prospectus previously filed as part of the Form S-4 registration statement.

ApolloMed has applied for listing of Common Stock on the NASDAQ Stock Market effective as of the closing of the Merger. No assurance can be given that Common Stock will trade on the NASDAQ Stock Market.

Consummation of the Merger, which remains subject to other conditions described in the Merger Agreement, including approval by stockholders of ApolloMed and the shareholders of NMM, is expected to take place in the second half of calendar year 2017.

As of November 8, 2017, there were 6,033,495 shares of Common Stock, 1,111,111 shares of Series A preferred stock of ApolloMed, par value \$0.001, and 555,555 of Series A preferred stock of ApolloMed, par value \$0.001, issued and outstanding. NMM current owns all shares of ApolloMed's Series A and Series B preferred stock. As of date of this Reoffer Prospectus, the Company was authorized to issue up to 100,000,000 shares of Common Stock and 5,000,000 shares of its preferred stock.

ApolloMed is required to reserve and keep available out of the authorized but unissued shares of Common Stock such number of shares sufficient to affect the conversion of all outstanding preferred stock, the exercise of all outstanding warrants exercisable into shares of Common Stock, the conversion of all outstanding notes and accrued interest into shares of Common Stock, and shares granted and available for grant as stock options under ApolloMed's Equity Incentive Plans. The number of shares of Common Stock reserved for these purposes is as follows as of September 30, 2017:

For warrants outstanding	1,951,166
For stock options outstanding	1,212,350
For debt outstanding and accrued interest	514,093
For preferred stock issued and outstanding	1,666,666
Total	5,344,275

In addition to the Restated NMM Note and Alliance Note, ApolloMed has several standby letters of credit and lines of credit as of the date of this Reoffer Prospectus. In January 2013, City National Bank ("CNB") provided to MMG an irrevocable standby letter of credit for \$10,000, which was increased to \$500,000 in November, 2014. Such letter of credit renews automatically every 5 months. In December 2016, CNB provided to MMG another irrevocable standby letter of credit for \$235,000, which expires December 31, 2017. In March 2017, APAACO established an irrevocable standby letter of credit with a financial institution for \$6,699,329 for the benefit of CMS, which expires on December 31, 2018 and will be automatically extended without amendment for additional one-year periods, unless terminated by the institution prior to 90 days from the expiration date. BAHA has a line of credit of \$150,000 with First Republic Bank. Borrowings thereunder bear interest at the prime rate (as defined) plus 3.0% (7.25% and 7.0% per annum at September 30, 2017 and March 31, 2017, respectively). Such line of credit is unsecured.

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 document, you should carefully consider the factors discussed in Part II, Item 1A, “Risk Factors” in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, filed with the Securities and Exchange Commission (the “SEC”) on November 14, 2017, Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended March 31, 2017 filed with the SEC on June 29, 2017, the risk factors discussed in the Registration Statement Amendment No. 2 on Form S-4/A filed with the SEC by us and Network Medical Management, Inc. (“NMM”) on November 9, 2017, and the risk factors discussed in the Rule 424(b)(3) prospectus filed by us and NMM on November 15, 2017. The risks and uncertainties disclosed in such Annual Report, in such Registration Statement Amendment, in such prospectus, and in this document could materially adversely affect our business, financial condition, cash flows or results of operations and thus our stock price. These risk factors may be important to understanding other statements in this document. Because of such risk factors, as well as other factors affecting our financial condition and operating results, our past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. The risks and uncertainties described below are not the only ones that we face, additional risks and uncertainties not currently known or we currently deem to be immaterial may also materially adversely affect our business, financial condition or results of operations, and these factors should be considered in conjunction with general investment risks and other information included herein, including the matters addressed in the section entitled “Forward-Looking Statements” beginning on page 5 of this document.

Risks Related to Common Stock of ApolloMed

ApolloMed’s current principal stockholders have significant influence over ApolloMed and the stockholders could delay, deter or prevent a change of control or other business combination or otherwise cause ApolloMed to take action with which stockholders might not agree. This includes that ApolloMed’s founders, Warren Hosseinion, M.D. and Adrian Vazquez, M.D., combined currently own more than 35% of ApolloMed’s shares and have significant influence over ApolloMed’s operations and strategic direction.

ApolloMed’s executive officers and directors, together with holders of greater than 5% of its outstanding common stock, as a group, currently beneficially own approximately 70% of ApolloMed’s outstanding common stock. As a result, ApolloMed’s executive officers, directors and holders of greater than 5% of its outstanding common stock have the ability to control all matters submitted to ApolloMed’s stockholders for approval, including among other things:

changes to the composition of ApolloMed’s ApolloMed board, which has the authority to direct its business and appoint and remove ApolloMed’s officers;

· proposed mergers, consolidations or other business combinations; and

· amendments to ApolloMed's Charter and Bylaws which govern the rights attached to ApolloMed's shares of common stock.

This concentration of ownership of shares of ApolloMed's common stock could delay or prevent proxy contests, mergers, tender offers, open market purchase programs or other purchases of shares of ApolloMed's common stock that might otherwise give its stockholders the opportunity to realize a premium over the then prevailing market price of ApolloMed's common stock. The interests of ApolloMed's executive officers, directors and holders of greater than 5% of its outstanding common stock may not always coincide with the interests of the other stockholders. This concentration of ownership may also adversely affect ApolloMed's stock price.

This concentration of ownership is underscored by the fact that Dr. Hosseinion (who currently owns approximately 19% of ApolloMed's common stock) and Dr. Vazquez (who currently owns approximately 16% of ApolloMed's common stock) together currently own more than 35% of ApolloMed's common stock and exert a significant degree of influence over ApolloMed's management and affairs and over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. As stockholders, Drs. Hosseinion and Vazquez are entitled to vote their shares in their own interests, which may not always be in the interests of ApolloMed's stockholders generally. Their concentrated holdings of so much of ApolloMed's common stock may harm the value of ApolloMed's shares and discourage investors from investing in ApolloMed. Drs. Hosseinion and Vazquez could also seek to delay, defer or prevent a change of control, merger, consolidation or sale of all or substantially all of ApolloMed's assets that other stockholders may support, or conversely this concentrated control could result in the consummation of a transaction that other stockholders may not support.

In the past, ApolloMed's common stock has been subject to the "penny stock" rules of the SEC, and it could become subject to that rule again. Additionally, trading in ApolloMed's securities is very limited, which makes transactions in its common stock cumbersome, increases stock price volatility and may reduce the value of an investment in its securities.

The SEC has adopted Rule 3a51-1 under the Exchange Act, which establishes the definition of a "penny stock", for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. During the last 52 weeks, ApolloMed's common stock has traded at both below and above \$5.00 per share. For any transaction involving a penny stock, unless exempt, Rule 15g-9 under the Exchange Act requires:

- a broker or dealer to approve a person's account for transactions in penny stocks; and

- a broker or dealer receives a written agreement for the transaction from the investor, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- obtain financial information and investment experience objectives of the person; and

- make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, among other things:

- sets forth the basis on which the broker or dealer made the suitability determination; and

- that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker or dealer and the registered representative, current

quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Generally, brokers may be less willing to execute transactions in securities subject to the “penny stock” rules. This may make it more difficult for investors to purchase or sell ApolloMed’s common stock and cause a decline in the market value of its stock or underscore its stock’s volatility in the market.

Additionally, ApolloMed’s common stock is relatively thinly traded and on a number of days there are no market transactions in ApolloMed’s common stock. This could contribute to stock price volatility or supply/demand imbalances that could adversely affect the price of ApolloMed’s common stock from time to time, making an investment in ApolloMed’s common stock less attractive to certain investors.

ApolloMed's common stock is thinly traded, the market price of ApolloMed's common stock is volatile and the value of investments could fluctuate, and decline, significantly.

ApolloMed's common stock is thinly traded. In part because of that, and for other reasons, the trading price of ApolloMed's common stock has been, and ApolloMed expects it to continue to be, volatile, which means that it could decline substantially within a short period of time. The price at which ApolloMed's common stock trades depends upon a number of factors, including ApolloMed's results of operations, its financial situation, the announcement and consummation of certain transactions, ApolloMed's ability or inability to raise the additional capital and the terms on which it raises capital and trading volume, and sometimes factors not related to our operating performance or prospects. Therefore, the price at which ApolloMed's common stock trades may fluctuate, and investors may experience a decrease in the value of the shares of ApolloMed's common stock that they hold, including for the following factors:

- variations in quarterly operating results of ApolloMed;
- negative reporting about ApolloMed in the press;
- developments in the hospitalists markets;
- announcements of acquisitions dispositions and other corporate level transactions by ApolloMed;
- announcements of financings and other capital raising transactions by ApolloMed;
- loss of significant customers, distributors or suppliers by ApolloMed;
- changes in third party reimbursement practices;
- regulatory developments or legal actions against ApolloMed;
- introduction of new products, services or changes in pricing policies by ApolloMed's competitors;
- sales of stock by ApolloMed's stockholders generally and ApolloMed's larger stockholders or insiders in particular;

· general inefficiencies of trading on junior markets or quotations systems, including the need to comply on a state-by-state basis with state “blue sky” securities laws for the resale of ApolloMed’s common stock until it trades on the NASDAQ Stock Market;

· fluctuations of investor interest in the healthcare sector; and

· fluctuations in the economy, world political events or general stock market conditions.

No assurance can be given that ApolloMed’s Common Stock will trade on NASDAQ Stock Market at or following the closing of the Merger. There has been a limited trading market for ApolloMed’s common stock to date and it may continue to be the case even if the Merger is consummated and ApolloMed’s NASDAQ listing is approved.

There has been limited trading volume in ApolloMed common stock, which is currently quoted on OTC Pink and traded under the symbol “AMEH.” Although ApolloMed has applied for listing of common stock on the NASDAQ Stock Market effective as of the closing of the Merger, no assurance can be given that ApolloMed’s common stock will trade on the NASDAQ Stock Market at the closing of the Merger. If ApolloMed’s common stock does not trade on the NASDAQ Stock Market effective as of the closing of the Merger, shares of Common Stock to be issued to NMM shareholders in connection with the Merger will need to be qualified under, or otherwise be issued in compliance with, applicable state securities or “blue sky” laws. This compliance effort could add substantial costs and may not be successful, and as a result, ApolloMed may face significant adverse regulatory actions, including fines and penalties.

It is anticipated that there will continue to be a limited trading market for ApolloMed common stock even if ApolloMed’s NASDAQ listing is approved. A lack of an active market may impair the ability of ApolloMed’s stockholders to sell shares at the time they wish to sell or at a price that they consider favorable. The lack of an active market may also reduce the fair market value of ApolloMed’s common stock, impair ApolloMed’s ability to raise capital by selling shares of capital stock and impair ApolloMed’s ability to use its common stock as consideration to attract and retain talent or engage in business transactions (including mergers and acquisitions).

Investors may experience dilution of their ownership interests because of the future issuance of additional shares of ApolloMed's common stock.

To date, ApolloMed has to fund all of its operations and development expenditures from cash on hand and equity or debt financings. ApolloMed may need to raise additional funding, including following the closing of the Merger, for its operational and development needs. As a result, ApolloMed may in the future issue additional authorized but previously unissued equity securities, resulting in further dilution of the ownership interests of ApolloMed's present stockholders. ApolloMed may also issue additional shares of its common stock or other securities that are convertible into or exercisable for common stock in connection with hiring or retaining employees, future acquisitions, future debt financings, or for other business purposes. For example, ApolloMed will have to issue additional shares of common stock to NNA if ApolloMed fails to comply with NNA's registration rights. Moreover, ApolloMed has issued securities to its directors, officers, other employees, consultants, lenders and other third parties, including options, warrants, convertible preferred stock and convertible debt, conversions or exercises of which would result in the issuance of additional shares of ApolloMed's common stock, resulting in dilution of the ownership interests of its present stockholders.

The future issuance of any such additional shares of common stock may create downward pressure on the trading price of ApolloMed's common stock. There can be no assurance that ApolloMed will not be required to issue additional shares, warrants or other convertible securities in the future in conjunction with any capital raising efforts, including at a price (or exercise prices) below the price at which shares of ApolloMed's common stock are currently traded at such time.

Risks Related to the Business of ApolloMed

ApolloMed has a history of losses, and may have to further reduce costs by curtailing future operations to continue as a business.

Historically, ApolloMed has had operating losses and cash flow has been inadequate to support ongoing operations. For the three months ended September 30, 2017, and for the year ended March 31, 2017, ApolloMed had a net loss of approximately \$4.2 million and \$8.7 million, respectively, and as of September 30, 2017, ApolloMed had an accumulated deficit of approximately \$45.1 million. ApolloMed's ability to fund its capital requirements out of available cash and cash generated from its operations depends on a number of factors, including ApolloMed's ability to integrate recently acquired businesses and continue growing its existing operations. If ApolloMed cannot generate positive cash flow from operations, it will have to reduce costs and/or try to raise working capital from other sources. These measures could materially and adversely affect ApolloMed's ability to operate its business as presently conducted and execute ApolloMed's business model.

ApolloMed may not be able to continue as a going concern.

As shown in the accompanying consolidated financial statements, ApolloMed has incurred a net loss of approximately \$4.2 million and \$8.7 million for the six months ended September 30, 2017 and for the year ended March 31, 2017, respectively, and used approximately \$8.1 million in cash from operating activities during the year ended March 31, 2017 and, as of September 30, 2017, has an accumulated deficit and a stockholders' deficit of approximately \$45.1 million and \$7.3 million, respectively. These factors raise substantial doubt about ApolloMed's ability to continue as a going concern. ApolloMed's consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event that ApolloMed cannot continue as a going concern.

ApolloMed may encounter difficulties in managing its growth.

ApolloMed may not be able to successfully grow and expand. Successful implementation of its business plan will require management of growth, including potentially rapid and substantial growth, which could result in an increase in the level of responsibility for management personnel and strain on ApolloMed's human and capital resources. To manage growth effectively, ApolloMed will be required, among other things, to continue to implement and improve its operating and financial systems and controls to expand, train and manage its employee base. ApolloMed's ability to manage its operations and growth effectively requires ApolloMed to continue to expend funds to enhance its operational, financial and management controls, reporting systems and procedures and to attract and retain sufficient numbers of talented personnel. If ApolloMed is unable to implement and scale improvements to all of its control systems in an efficient and timely manner or if ApolloMed encounters deficiencies in existing systems and controls, then it will not be able to make available the services required to successfully execute its business plan. Failure to attract and retain sufficient numbers of qualified personnel could further strain its human resources and impede its growth or result in ineffective growth. Moreover, the management, systems and controls currently in place or to be implemented may not be adequate for such growth, and the steps taken to hire personnel and to improve such systems and controls might not be sufficient. If ApolloMed is unable to manage its growth effectively, it will have a material adverse effect on its business, results of operations and financial condition.

The terms of debt agreements could restrict ApolloMed's operations, particularly ApolloMed's ability to respond to changes in its business or to take specified actions and an event of default under ApolloMed's debt agreements could harm its business.

Agreements for any indebtedness would likely contain a number of restrictive covenants that impose significant operating and financial restrictions on ApolloMed, including restrictions on ApolloMed's ability to take actions that may be in its best interests. Debt agreements often include covenants that, among other things, generally:

- do not allow the borrower to borrow additional amounts or additional amounts above a certain limit, or that are senior to the existing debt, without the approval of the creditor;
- require the borrower to obtain the consent of the creditor for acquisitions in excess of an agreed upon amount and/or grant security interests in newly-acquired companies;
- do not allow the borrower to dispose of assets;
- do not allow the borrower to liquidate, wind up or dissolve any of its subsidiaries without the creditor's approval;

·do not allow the borrower to create any liens on any of its assets;

·require the borrower not to impair any security interests that the creditor has in the borrower's assets; and

require the borrower to meet, on an ongoing basis, certain financial covenants, which may include targets as to consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA"), leverage ratio, fixed charge coverage ratio and consolidated tangible net worth.

No assurances can be given that ApolloMed will be able to meet any of the financial covenants in favor of a creditor, and, if ApolloMed were to fail to meet any financial covenants, there would be an event of default and no assurance can be given that a creditor would waive such default, which in turn could result in a material adverse effect on ApolloMed's financial condition and ability to continue its operations.

ApolloMed is required to prepare and file with the SEC a registration statement covering the sale of a former creditor's registrable securities by March 31, 2018.

On March 28, 2014, ApolloMed entered into a Credit Agreement (the "Credit Agreement") with NNA of Nevada, Inc. ("NNA"), an affiliate of Fresenius SE & Co. KGaA ("Fresenius"), which has been amended from time to time. Presently, ApolloMed is required to prepare and file with the SEC a registration statement covering the sale of NNA's registrable securities issued pursuant to the Credit Agreement by March 31, 2018. If ApolloMed fails to do so by such date, for each month thereafter until it files the registration statement registering NNA's registrable securities ApolloMed must pay NNA liquidated damages of 1.5% of the total purchase price of the registrable securities owned by NNA, payable in shares of ApolloMed common stock. This may result in the dilution of the ownership interests of ApolloMed's stockholders.

The nature of ApolloMed's business and rapid changes in the healthcare industry makes it difficult to reliably predict future growth and operating results.

Rapidly changing Federal and state healthcare laws, and the regulations thereunder, make it difficult to anticipate the nature and amount of medical reimbursements, third party private payments and participation in certain government programs. For example, ApolloMed was awarded a participation agreement under the Centers for Medicare & Medicaid Services ("CMS") Medicare Shared Savings Program ("MSSP") in July 2012, to operate as an Accountable Care Organization ("ACO"). The ACO has received an "all or nothing" payment under the MSSP program for services rendered in fiscal 2015, but did not receive such a payment for fiscal 2016 or fiscal 2017. This makes it difficult to forecast ApolloMed's future earnings, cash flow and results of operations. The evolving nature of the current medical services industry increases these uncertainties.

ApolloMed may be unable to successfully integrate recently acquired and launched entities and may have difficulty predicting the future needs of those entities.

In fiscal 2015, ApolloMed acquired AKM Medical Group, Inc., a California corporation ("AKM"), Southern California Heart Centers, a California medical corporation ("SCHC"), Best Choice Hospice Care, LLC, a California limited liability company ("BCHC"), and Holistic Care Home Health Agency, Inc., a California corporation ("HCHHA"), and launched ApolloMed Care Clinic, a California professional corporation ("ACC"), and Apollo Palliative Services LLC, a California limited liability company ("ApolloMed Palliative" or "APS"). In fiscal 2016, ApolloMed formed Apollo Care Connect, Inc., a Delaware corporation ("Apollo Care Connect"), and combined the operations of AKM into those of MMG, and disposed of substantially all of the assets of ACC. In fiscal 2017, ApolloMed acquired Bay Area Hospitalist Associates ("BAHA") and also formed APAACO to operate under CMS' Next Generation Accountable Care Organization Model Program (the "NGACO Model").

As a result of ApolloMed's rapid expansion ApolloMed may be unable to successfully integrate the various entities it has acquired or formed. Additionally, these entities operate in different areas of the health care industry and ApolloMed cannot accurately predict how these acquired entities will perform in the future, integrate into its entire operations or result in a diversion of management focus and attention to other parts of ApolloMed's business.

ApolloMed's growth strategy may not prove viable and expected growth and value may not be realized.

ApolloMed's business strategy is to grow rapidly by managing a network of medical groups providing certain hospital-based services and integrated inpatient and outpatient physician networks. ApolloMed also seeks growth opportunities both organically and through the acquisition of target medical groups and other service providers.

Identifying quality acquisition candidates is a time-consuming and costly process. There can be no assurance that ApolloMed will be successful in identifying and establishing relationships with these and other candidates. If ApolloMed is not successful in identifying and acquiring other entities, its ability to successfully implement its business plan and achieve targeted financial results could be adversely affected. The process of integrating acquired entities involves significant risks, which include, but are not limited to:

- demands on ApolloMed's management team related to the significant increase in the size of its business;
- diversion of management's attention from the management of daily operations;
- difficulties in the assimilation of different corporate cultures and business practices;
- difficulties in conforming the acquired entities' accounting policies to ApolloMed's;
- retaining employees who may be vital to the integration of departments, information technology systems, including accounting;
- systems, technologies, books and records, procedures and maintaining uniform standards, such as internal accounting controls;
- procedures, and policies; and
- costs and expenses associated with any undisclosed or potential liabilities.

There can be no assurance that ApolloMed will be able to manage the integration of its acquisitions or the growth of such acquisitions effectively.

An element of ApolloMed's growth strategy is also the expansion of its business by developing new palliative care programs in its existing markets and in new markets. This aspect of ApolloMed's growth strategy may not be successful, which could adversely impact its overall growth and profitability. ApolloMed cannot assure that it will be able to:

- identify markets that meet ApolloMed's selection criteria for new palliative care programs;
 - hire and retain a qualified management team to operate each of ApolloMed's new palliative care programs;
- manage a large and geographically diverse group of palliative care programs;
- become Medicare and Medicaid certified in new markets;
- generate a sufficient patient base in new markets to operate profitably in these new markets; or
- compete effectively with existing programs.

ApolloMed may not make appropriate acquisitions, may fail to integrate them into its business, or these acquisitions could alter ApolloMed's current payor mix and reduce its revenue.

ApolloMed's business is significantly dependent on locating and acquiring or partnering with medical practices or individual physicians to provide health care services. As part of ApolloMed's growth strategy, it regularly reviews potential acquisition opportunities. ApolloMed cannot predict whether it will be successful in pursuing such acquisition opportunities or what the consequences of any such acquisitions would be. If ApolloMed is not successful in finding attractive acquisition candidates that it can acquire on satisfactory terms, or if it cannot successfully complete and efficiently integrate those acquisitions that it identifies, ApolloMed may not be able to implement its business model, which would likely negatively impact its revenues, results of operations and financial condition. Furthermore, ApolloMed's acquisition strategy involves a number of risks and uncertainties, including:

ApolloMed may not be able to identify suitable acquisition candidates or strategic opportunities or successfully implement or realize the expected benefits of any suitable opportunities. In addition, ApolloMed competes for acquisitions with other potential acquirers, some of which may have greater financial or operational resources than it does. This competition may intensify due to the ongoing consolidation in the healthcare industry, which may increase ApolloMed's acquisition costs.

ApolloMed may be unable to successfully and efficiently integrate completed acquisitions, including its recently completed acquisitions and such acquisitions may fail to achieve the financial results it expected. Integrating completed acquisitions into ApolloMed's existing operations involves numerous short-term and long-term risks, including diversion of its management's attention, failure to retain key personnel, failure to retain payor contracts and failure of the acquired practice to be financially successful.

ApolloMed cannot be certain of the extent of any unknown or contingent liabilities of any acquired business, including liabilities for failure to comply with applicable laws. ApolloMed may incur material liabilities for past activities of acquired entities. Also, depending on the location of the acquisition, it may be required to comply with laws and regulations that may differ from those of the states in which ApolloMed's operations are currently conducted.

ApolloMed may acquire individual or group medical practices that operate with lower profit margins as compared with its current or expected profit margins or which have a different payor mix than ApolloMed's other practice groups, which would reduce its profit margins. Depending upon the nature of the local healthcare market, ApolloMed may not be able to implement its business model in every local market that it enters, which may negatively impact ApolloMed's revenues and financial condition.

If ApolloMed finances acquisitions by issuing equity securities or securities convertible into equity securities, its existing stockholders could be diluted, which, in turn, could adversely affect the market price of ApolloMed's stock. If ApolloMed finances an acquisition with debt, it could result in higher leverage and interest costs. As a result, if it fails to evaluate and execute acquisitions properly, ApolloMed might not achieve the anticipated benefits of these acquisitions, and it may increase its acquisition costs.

Changes to the fair value of contingent compensation payments to be paid in connection with ApolloMed's acquisitions may result in significant fluctuations to its results of operations.

In connection with some of ApolloMed's recent acquisitions, ApolloMed is required to make certain contingent compensation payments. The fair value of such payments is re-evaluated periodically based on changes in ApolloMed's estimate of future operating results and changes in market discount rates. Any changes in ApolloMed's estimated fair value is recognized in its results of operations. Increases in the amount of contingent compensation payments ApolloMed is required to make may have an adverse effect on its financial condition.

ApolloMed's management team's attention may be diverted by recent acquisitions and searches for new acquisition targets, and its business and operations may suffer adverse consequences as a result.

Mergers and acquisitions are time-intensive, requiring significant commitment of ApolloMed's management team's focus and resources. If ApolloMed's management team spends too much time focused on recent acquisitions or on potential acquisition targets, its management team may not have sufficient time to focus on its existing business and operations. This diversion of attention could have material and adverse consequences on ApolloMed's operations and its ability to be profitable.

ApolloMed's growth strategy incurs significant costs, which could adversely affect its financial condition.

ApolloMed's growth-by-acquisition strategy involves significant costs, including financial advisory, legal and accounting fees, and may include additional costs, including costs of fairness opinions, labor costs, termination payments, contingent payments and bonuses, among others. These costs could put a strain on ApolloMed's available cash and cash flow, which in turn could adversely affect its overall financial condition.

ApolloMed may be unable to scale its operations successfully.

ApolloMed's growth strategy will place significant demands on its management and financial, administrative and other resources. Operating results will depend substantially on the ability of ApolloMed's officers and key employees to manage changing business conditions and to implement and improve its financial, administrative and other resources. If ApolloMed is unable to respond to and manage changing business conditions, or the scale of its operations and the quality of its services, ApolloMed's ability to retain key personnel and its business could be adversely affected.

ApolloMed could experience significant losses under its capitation-based contracts if the medical expenses it incurs exceed revenues.

In California, health plans typically prospectively pay an IPA a fixed per member per month ("PMPM") amount, or capitation payment, which is often based on a percentage of the amount received by the health plan. Capitation payments to IPAs, in the aggregate, represent a prospective budget from which the IPA manages care-related expenses on behalf of the population enrolled with that IPA. If ApolloMed's IPAs are able to manage care-related expenses under the capitated levels, ApolloMed realizes an operating profit on its capitation contracts. However, if ApolloMed's care-related expenses exceed projected levels, its IPAs may realize substantial operating deficits, which are not capped and could lead to substantial losses.

ApolloMed's future growth could be harmed if it loses the services of Dr. Hosseinion.

ApolloMed's success depends to a significant extent on the continued contributions of its key management personnel, particularly ApolloMed's Chief Executive Officer, Warren Hosseinion, M.D., for the management of ApolloMed's business and implementation of its business strategy. ApolloMed has entered into an employment agreement with Dr. Hosseinion and it holds a \$5 million key man life insurance policy. The loss of Dr. Hosseinion's services could have a material adverse effect on ApolloMed's business, financial condition and results of operations.

If ApolloMed's agreements or arrangements with Dr. Hosseinion or physician groups are deemed invalid under state corporate practice of medicine and similar laws, or Federal law, or are terminated as a result of changes in state law, it could have a material impact on ApolloMed's results of operations and financial condition.

There are various state laws, including laws in California, regulating the corporate practice of medicine which prohibits ApolloMed from owning various healthcare entities. This corporate practice of medicine prohibitions are intended to prevent unlicensed persons from interfering with or inappropriately influencing a physician's professional judgment. These and other laws may also prevent fee-splitting, which is the sharing of professional service income with non-professional or business interests. The interpretation and enforcement of these laws vary significantly from state to state. As a result, ApolloMed has structured other agreements and arrangements with these entities, such as having Dr. Hosseinion hold shares in such practices as nominee shareholder for ApolloMed's benefit. If these agreements and arrangements were held to be invalid under state laws prohibiting the corporate practice of medicine, a significant portion of ApolloMed's revenues would be affected, which may result in a material adverse effect on ApolloMed's results of operations and financial condition. Additionally, any changes to Federal or state law that prohibit such agreements or arrangements could also have a material adverse effect upon ApolloMed's results of operations and financial condition.

If ApolloMed lost the services of Dr. Hosseinion for any reason, the contractual arrangements with ApolloMed's variable interest entities ("VIEs") could be in jeopardy.

Because of corporate practice of medicine laws, many of ApolloMed's affiliated physician practice groups are either wholly-owned or primarily owned by Dr. Hosseinion as nominee shareholder for ApolloMed's benefit. If Dr. Hosseinion died, was incapacitated or otherwise was no longer affiliated with ApolloMed, there could be a material adverse effect on the relationship between each of those VIEs and ApolloMed and, therefore, ApolloMed's business as a whole could be adversely affected.

The contractual arrangements ApolloMed has with its VIEs is not as secure as direct ownership of such entities.

Because of corporate practice of medicine laws, ApolloMed enters into contractual arrangements to manage certain affiliated physician practice groups, which allows ApolloMed to consolidate those groups for financial reporting purposes. If ApolloMed had direct ownership of certain of ApolloMed's affiliated entities, it would be able to exercise its rights as an equity holder directly to effect changes in the boards of directors of those entities, which could effect changes at the management and operational level. Under ApolloMed's contractual arrangements, it may not be able to directly change the members of the boards of directors of these entities and would have to rely on the entities and the entities' equity holders to perform its obligations in order to exercise ApolloMed's control over the entities. If any of these affiliated entities or its equity holders fail to perform its respective obligations under the contractual arrangements, ApolloMed may have to incur substantial costs and expend additional resources to enforce such arrangements.

Any failure by ApolloMed's key affiliated entities or its equity holders to perform its obligations under the contractual arrangements it has with ApolloMed would have a material adverse effect on ApolloMed's business, results of operations and financial condition. ApolloMed also owns the majority, and not all, of the equity of certain subsidiaries.

Several of ApolloMed's affiliated physician practice groups are owned by other physicians who could die, become incapacitated or otherwise become no longer affiliated with ApolloMed. Although the terms of the MSAs ApolloMed has with these affiliates provide that the MSA will be binding on the successors of such affiliates' equity holders, as those successors are not parties to the MSAs, it is uncertain whether the successors in case of the death, bankruptcy or divorce of an equity holder would be subject to such MSAs.

In addition, although ApolloMed consolidates in ApolloMed's financial reporting and business structure ApolloMed Accountable Care Organization, Inc., a California corporation ("ApolloMed ACO"), and ApolloMed Palliative, individuals other than Dr. Hosseinion, who acts as nominee stockholder for the benefit of Apollo Medical Management, Inc., a Delaware corporation and wholly-owned subsidiary of ApolloMed ("AMM"), also own approximately 20% of the equity of ApolloMed ACO and 44% of the equity in ApolloMed Palliative. Additionally, ApolloMed consolidates APAACO in ApolloMed's financial reporting, although it owns 50% of the equity in that entity.

ApolloMed's operations are dependent on a limited number of key payors.

ApolloMed had one payor during the three months ended September 30, 2017 that accounted for 73% of net revenues. Four payors accounted for 18.8%, 13.1%, 8.5% and 6.8% of ApolloMed's net revenues for ApolloMed's fiscal year ended March 31, 2017, respectively. ApolloMed had three payors during the fiscal year ended March 31, 2016 that accounted for 29.8%, 15.7% and 9.9% of net revenues, respectively. ApolloMed believes that a majority of its revenue will continue to be derived from a few payors. Each payor may immediately terminate any of ApolloMed's contracts or any individual credentialed physician upon the occurrence of certain events. They may also amend the material terms of the contracts under certain circumstances. Failure to maintain the contracts on favorable terms or at all, for any reason, would materially and adversely affect ApolloMed's results of operations and financial condition.

A decline in the number of patients ApolloMed serves could have a material adverse effect on ApolloMed's results of operations.

Like any business, a material decline in the number of patients ApolloMed serves, whether it or a third party government or private entity is paying for its healthcare, could have a material adverse effect on ApolloMed's results of operations and financial condition.

ACOs are relatively new and undergoing changes and CMS may change or discontinue the MSSP program.

ApolloMed has invested resources in both applying to participate in the MSSP and in establishing initial infrastructure. The MSSP program and the rules regarding ACOs have been altered and may be further altered in the future. Any material change to the MSSP program and ACO requirements, governance and operating rules, could provide a significant financial risk for ApolloMed and alter its strategic direction, thereby producing stockholder risk and uncertainty. In addition, ApolloMed could be terminated from the MSSP if it does not comply with the MSSP participation requirements.

ApolloMed ACO may not generate savings through its participation in the MSSP revenue, if any, earned by such participation will occur, only once annually on an “all or nothing” basis.

ApolloMed ACO participates in the MSSP sponsored by CMS. The MSSP is a relatively new program with limited history of payments to ACO participants. As a result of the uncertain nature of the MSSP program, ApolloMed considers revenue, if any, under the MSSP, as contingent upon the realization of program savings as determined by CMS, and revenues are not considered earned and therefore are not recognized until notice from CMS that cash payments are to be imminently received.

In addition, there is no assurance that ApolloMed will meet the conditions necessary for receipt of future payments. Furthermore, ApolloMed's ability to continue to generate savings for the MSSP program depends on many factors, many of which are outside ApolloMed's control, including, among others, how CMS elects to administer the MSSP program, how savings levels are calculated and continued political support of the MSSP program. As a result, whether future revenues will be earned by ApolloMed ACO is uncertain and will be contingent on various factors, including whether savings were determined to be achieved in 2015 or in any other period during which savings are measured.

During the fiscal year ended March 31, 2015, ApolloMed was awarded and received approximately a \$5.4 million payment related to savings achieved from July 1, 2012, through December 31, 2013, which represented 16% of ApolloMed's net revenue during the year ended March 31, 2015. During the fiscal years ended March 31, 2016 and 2017, ApolloMed did not receive any MSSP payment. ApolloMed is eligible to be considered for an all-or-nothing payment under this program for performance year 2016 (which, if it is paid, would be paid to ApolloMed in fiscal 2018). ApolloMed does not expect to receive any such payments for performance years beginning 2017 because of ApolloMed's transition to, and business focus on, the NGACO Model, in which it has been participating since January 1, 2017.

Moreover, if amounts are payable to ApolloMed under the MSSP, it will be paid on an annual basis significantly after the time it is earned. Additionally, since MSSP payments, if any, are made once annually, ApolloMed would not receive such payments spread out over its fiscal year and, consequently, revenue may be materially lower in quarters when any MSSP-related payments are not received by ApolloMed.

The success of ApolloMed's emphasis on the new NGACO Model is uncertain.

To position ApolloMed to participate in the NGACO Model, it has devoted, and intends to continue to devote, significant effort and resources, financial and otherwise, to the NGACO Model, and refocus away from certain other parts of ApolloMed's historic business and revenue streams, which will receive less emphasis in the future and could result in reduced revenue from these activities. It is unknown at this time if this strategic decision will be successful in terms of ApolloMed's emphasis on the NGACO Model and/or placing less emphasis on certain other parts of ApolloMed's core business and revenue streams.

The results of the NGACO Model are unknown.

The NGACO Model is a new CMS program that builds upon previous ACO programs, including the MSSP program. Through the NGACO Model, CMS will provide an opportunity to APAACO and other Next Generation Accountable Care Organizations ("NGACOs") experienced in coordinating care for populations of patients, and whose provider groups are willing to assume higher levels of financial risk and reward, to participate in this new attribution-based risk sharing model. In January 2017, CMS approved APAACO to participate in the NGACO Model and CMS and APAACO have entered into a Next Generation ACO Model Participation Agreement (the "Participation Agreement") with a term of two performance years through December 31, 2018. CMS may offer to renew the Participation Agreement for an additional two performance years. Additionally, the Participation Agreement may be terminated sooner by CMS as specified therein and CMS has the flexibility to alter or change the program over this time period. The number of Medicare ACOs continues to rise in total but there are still a growing number of program types and demonstrations that could be consolidated and impact APAACO.

APAACO's future participation in the AIPBP Payment Mechanism is uncertain and payments thereunder represent a significant part of ApolloMed's total revenues. ApolloMed also cannot accurately predict and monitor its performance under the AIPBP payment mechanism.

APAACO chose to participate in the All-Inclusive Population-Based Payment ("AIPBP") mechanism. Under the AIPBP payment mechanism, CMS estimates the total annual Part A and Part B Medicare expenditures of APAACO's assigned Medicare beneficiaries and pays that projected amount in per beneficiary per month payments. In October 2017, CMS

notified APAACO that it has not been renewed for participation in the AIPBP payment mechanism of the NGACO Model for performance year 2018 due to certain alleged deficiencies in performance by APAACO. APAACO does not believe the allegations by CMS of performance deficiencies are valid or justify the CMS non-renewal determination and is in discussions with CMS regarding possible reversal of such determination. On November 9, 2017, APAACO submitted a request for reconsideration to CMS. On December 4, 2017, APAACO submitted additional background information to CMS. If APAACO is not successful in convincing CMS to reverse its decision then the payment mechanism under the NGACO Model would default to traditional Fee For Service (“FFS”). This would result in the loss in monthly revenues of cash flow currently being generated by APAACO (currently at a rate of approximately \$9.3 million per month) and would thus have a material adverse effect on ApolloMed’s future revenues and potential cash flow.

In addition, APAACO chose “Risk Arrangement A,” comprising 80% risk for Part A and Part B Medicare expenditures and a shared savings and losses cap of 5%, or as a result a 4% effective shared savings and losses cap when factoring in 80% risk impact. APAACO’s benchmark Medicare Part A and Part B expenditures for beneficiaries for its 2017 performance year are approximately \$335 million, and under “Risk Arrangement A” of the AIPBP payment mechanism APAACO could therefore have profits or be liable for losses of up to 4% of such benchmarked expenditures, or approximately \$13.4 million. While performance can be monitored throughout the year, end results will not be known until 2018. ApolloMed cannot accurately predict and monitor performance under the AIPBP payment mechanism for 2017 because, among other factors, end results are released annually rather than on a more frequent basis.

The NGACO Model program has certain political risks.

If the Patient Protection and Affordable Care Act (the “ACA”) is amended or repealed and replaced, or if Center for Medicare and Medicaid Innovation (“CMMI”) is terminated, the NGACO Model program could be discontinued or significantly altered. In addition, CMS leadership could be changed and influenced by Congress or the current Administration. Additionally, CMS or CMMI may elect to combine any existing programs, including bundled payments, which could greatly alter the NGACO Model program.

APAACO’s participation in the NGACO Model program subjects it to certain regulatory risks.

Among many requirements to be eligible to participate in the NGACO Model program, APAACO must have at least 10,000 assigned Medicare beneficiaries and must maintain that number throughout each performance year. Although APAACO started its 2017 performance year with more than 32,000 assigned Medicare beneficiaries, there can be no assurance that APAACO will maintain the required number of assigned Medicare beneficiaries, and, if that number were not maintained, APAACO would become ineligible for the program.

APAACO is subject to changing state laws and regulations.

NGACOs are required to comply with all applicable state laws and regulations regarding provider-based risk-bearing entities. If these laws or regulations change, for example, to require a Knox-Keene license in California, which ApolloMed does not have, APAACO could be required to cease its NGACO operations.

APAACO may experience losses due to the NGACO Model program.

APAACO is responsible for savings and losses from claims. The NGACO Model uses a prospectively-set cost benchmark, which is established prior to the start of each performance year. The benchmark is based on various factors, including baseline expenditures with the baseline updated each year to reflect the NGACO’s participant list for the given year. The 2017 performance year NGACO Model baseline for APAACO is based on calendar year 2014 expenditures that are risk-adjusted and trended. A discount is then applied that incorporates regional and national efficiency. The final benchmark could potentially underestimate APAACO’s actual expenditures for its Medicare beneficiaries.

If claims cost rise from benchmark, or 2014 and/or 2017 are statistical anomalies, APAACO could experience losses due to the NGACO Model program, which could be significant prior to any adjustment in benchmarked expenditures.

Additionally, given that APAACO is providing care coordination but does not employ any physicians nor provide direct patient care, the degree of influence APAACO has could be limited and out of its direct control. Because of APAACO's limited influence, it is possible APAACO may not be able to influence provider and preferred provider behavior, utilization and patient costs.

APAACO's dependence on CMS creates uncertainty and subjects APAACO to potential liability.

APAACO relies on CMS for design, oversight and governance of the NGACO Model program. Accurate data, claims benchmarking and calculations, timely payments and periodic process reviews are key to program success. In addition to APAACO's administrative and care coordination operating costs, APAACO may not generate savings through its participation in the NGACO Model. Any savings generated, if at all, will be earned in arrears and uncertain in both timing and amount.

APAACO chose to participate in the All-Inclusive Population-Based Payment (“AIPBP”) payment mechanism, which entails certain special risks.

APAACO chose to participate in the AIPBP payment mechanism, and is the only NGACO to have chosen this payment mechanism. Under the AIPBP payment mechanism, CMS will estimate the total annual Part A and Part B Medicare expenditures of APAACO’s assigned Medicare beneficiaries and pay that projected amount in per beneficiary per month payments. APAACO chose “Risk Arrangement A,” comprising 80% risk for Part A and Part B Medicare expenditures and a shared savings and losses cap of 5%, or as a result a 4% effective shared savings and losses cap when factoring in 80% risk impact. APAACO’s benchmark Medicare Part A and Part B expenditures for beneficiaries for its 2017 performance year are approximately \$335 million, and under “Risk Arrangement A” of the AIPBP payment mechanism APAACO could therefore have profits or be liable for losses of up to 4% of such benchmarked expenditures, or approximately \$13.4 million. While performance can be monitored throughout the year, end results will not be known until 2018. ApolloMed cannot accurately predict and monitor performance under the AIPBP payment mechanism because, among other factors, end results are released annually rather than on a more frequent basis.

CMS has indicated that its initial financial reports to participants in the NGACO Model may not be complete.

The NGACO Model is new and CMS is implementing extensive reporting protocols in connection therewith. CMS has indicated that it does not anticipate initial reports under the NGACO Model to be indicative of final results of actual risk-sharing and revenues to which ApolloMed is entitled, especially for the period April 1, 2017 through June 30, 2017, which is the second quarter of the NGACO program and the first two quarters of ApolloMed’s 2018 fiscal year. This is because there are inherent biases in reporting the results at such an early juncture. Were that to be the case, ApolloMed might not report accurately ApolloMed’s revenues for this period, which could be subject to adjustment in a later period once ApolloMed receives final results from CMS.

APAACO requires significant capital reserves for program participation.

NGACOs must provide a financial guarantee to CMS. The financial guarantee must be in an amount of 2% of the NGACO’s benchmark Medicare Part A and Part B expenditures. APAACO’s benchmark Medicare Part A and Part B expenditures for beneficiaries for its 2017 performance year being approximately \$335 million, APAACO submitted a letter of credit for \$6.7 million for the 2017 program year. If APAACO reaches the maximum of its shared losses of \$13.4 million, it may need to pay another \$6.7 million to CMS or CMS may change or alter the risk reserve process or amount. Additionally, the incurred but not reported (“IBNR”) methodology utilized by CMS could have a negative impact on APAACO and affect working capital and capital requirements.

APAACO is responsible for savings and losses related to care received by its patients at Out-of-Network Providers, which could negatively impact ApolloMed's ability to control claim costs.

Medicare beneficiaries in a NGACO Model program are permitted to receive care from a wide network of contracted providers and facilities, which could make it challenging for APAACO to control financial risks associated with those beneficiaries. CMS notified APAACO that its Medicare beneficiaries historically have received approximately 62% of its care at non-contracted, out-of-network ("OON") providers. While not responsible for paying claims for OON providers, APAACO may have difficulty managing patient care and costs as compared to in-network providers. Additionally, APAACO is responsible for savings and losses of this population using OON providers, which could adversely impact ApolloMed's financial results.

In addition, if APAACO is successful under its Participation Agreement with CMS in encouraging more of its patients to receive care with contracted, in-network providers, there is the possibility that the monthly AIPBP payments will be insufficient to cover current expenditures, since the AIPBP payments will be based on historical in-network/out-of-network ratios. This could potentially result in negative cash-flow problems for APAACO, if increased payments need to be made to contracted, in-network providers, especially if CMS fails to monitor this in-network/OON ratio on a frequent periodic basis and reconciliation payments are materially delayed.

There is uncertainty regarding the initial design and administration of the NGACO Model program.

Due to the newness of the NGACO Model program and the fact that APAACO is the only company participating in the AIPBP track, APAACO is subject to initial program challenges including, but not limited to, process design, data and other related program aspects. APAACO has already experienced various apparent errors in the NGACO Model program and APAACO has been working with CMS, including senior CMS management, on these issues, but the resolution and impact on APAACO remains uncertain. Moreover, there is the potential for new or additional issues to be experienced with CMS which could negatively impact APAACO. Among other things, the AIPBP claims processing methodology is complex and could create reimbursement delays to contracted APAACO providers which could in turn terminate their agreements with APAACO. For example, services provided by contracted APAACO providers with Dates of Service (“DOS”) from January 1, 2017 to March 31, 2017 were to be paid by CMS. All services provided by in-network, providers with DOS from April 1, 2017 onward were to be paid by APAACO. But a flaw in the claims processing system of one of CMS’ contractors caused payments to contracted APAACO providers to be unpaid or to be paid at a reduced rate from January 1, 2017 to March 31, 2017. Various providers expressed dissatisfaction about this and several decided to terminate their agreements with APAACO. Consequently, there is the actual and potential risk of damaging goodwill with APAACO’s contracted providers, which could have a material adverse effect on the operations and financial condition of APAACO in particular and ApolloMed’s results of operations and financial condition on a consolidated basis.

APAACO has also experienced weaknesses in the NGACO Model program beneficiary alignment methodology. For example, some patients see more than one primary care provider (“PCP”) in a calendar year. CMS could attribute a patient to one PCP rather than another, which could create potential liability for APAACO. For example, when APAACO sent letters to its patients, as required by CMS, it received several calls from PCPs who did not join APAACO, but whose patients were attributed to another PCP. There could also be liability where a PCP has a capitated contract with APAACO, but the PCP’s patient also sees another PCP, whether that PCP was contracted with APAACO or not. APAACO’s expenditures could increase due to payments by CMS of the out-of-network, non-contracted PCP.

AIPBP operations and benchmarking calculations are complex.

AIPBP operations and benchmarking calculations are complex and can lead to errors in the application of the NGACO Model program, which could create reimbursement delays to ApolloMed’s providers and adversely affect APAACO’s performance and results of operations. For example, APAACO has discovered a feature in the AIPBP claims files that do not allow APAACO to break down certain claims amounts by individual patient codes. This feature has created confusion for APAACO contracted providers in reconciling its payments, causing some providers to terminate their agreements with APAACO. This feature could also create uncertainty regarding those agreements with providers that include capitation plus carve-outs for certain procedures. APAACO has sought to address its concerns about such features with CMS and CMS has informed APAACO that CMS’ contractor is unable to remedy this situation for at least the foreseeable future.

CMS relies on multiple third-party contractors to manage the NGACO Model program, which could hinder performance.

In addition to CMS reliance, CMS relies on various third parties to effect the NGACO program. This may be other departments of the U.S. government, such as CMMI. CMS relies on multiple third party contractors to manage the NGACO Model program, including claims and auditing. Due to such reliance, there is the potential for errors, delays and poor communication among the differing entities involved, which are beyond the control of APAACO. This could negatively impact APAACO's results of operations specifically and ApolloMed's results of operations on a consolidated basis.

Third parties used by APAACO could hinder performance.

APAACO uses select third parties. This could create operational and performance risk if, for example, the third party does not perform its responsibilities properly. Additionally, APAACO has contracted with participating Part A and Part B providers and was able to contract discounted Medicare, Diagnosis-Related Group and Resource Utilization Group rates with multiple providers. However, APAACO providers could decide to change or discontinue these contractual rates or to terminate its agreements with APAACO.

Risk-sharing arrangements that MMG has with health plans and hospitals could result in its costs exceeding the corresponding revenues, which could reduce or eliminate any shared risk profitability. MMG also has a key contract with Prospect Medical Group and its management service organization, which if terminated could materially affect ApolloMed's business.

Under risk-sharing arrangements into which MMG has entered, MMG is responsible for a portion of the cost of hospital services or other services that are not capitated. These risk-sharing arrangements may require MMG to assume a portion of any loss sustained from such arrangements, thereby adversely affecting ApolloMed's results of operations. The terms of the particular risk-sharing arrangement allocate responsibility to the respective parties when the cost of services exceeds the related revenue, which results in a deficit, or permit the parties to share in any surplus amounts when actual costs are less than the related revenue. The amount of non-capitated medical and hospital costs in any period could be affected by factors beyond the control of MMG, such as changes in treatment protocols, new technologies, longer lengths of stay by the patient, and inflation. To the extent that such non-capitated medical and hospital costs are higher than anticipated, revenue may not be sufficient to cover the risk-sharing deficits the health plans and MMG are responsible for, which could reduce ApolloMed's revenue and adversely affect ApolloMed's results of operations.

The Merger Agreement contemplates that Warren Hosseinion M.D., the sole shareholder of MMG, will sell to APC-LSMA all the issued and outstanding shares of capital stock of MMG for \$100 under the Maverick Stock Purchase Agreement.

ApolloMed and its affiliates are subject to certain financial requirements of the California Department of Managed Health Care's ("DMHC"). If they are not able to satisfy the DMHC's requirements, ApolloMed and its affiliates could become subject to sanctions and their abilities to do business in California could be limited or terminated.

ApolloMed operates in a highly regulated industry and are subject to federal and state governmental oversight. For example, as a risk-bearing organization ("RBO"), ApolloMed and its affiliates, as applicable (such as MMG, an affiliated IPA), are required to follow regulations of the California Department of Managed Health Care ("DMHC"). The DMHC has instituted financial solvency regulations. The regulations are intended to provide a formal mechanism for monitoring the financial solvency of a RBO in California, including capitated physician groups, such as MMG. ApolloMed and its affiliates 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. Under DMHC regulations, ApolloMed's affiliated physician groups are required to, among other things:

Maintain, at all times, a minimum "cash-to-claims ratio" (where "cash-to-claims ratio" means the organization's cash, marketable securities, and certain qualified receivables, divided by the organization's total unpaid claims liability). The regulations currently require a cash-to-claims ratio of 0.75; and

Submit periodic reports to the DMHC containing various data and attestations regarding performance and financial solvency, including incurred but not reported calculations and documentation, and attestations as to whether or not the organization was in compliance with the Knox-Keene Health Care Service Plan Act of 1975, as amended (the "Knox-Keene Act"), requirements related to claims payment timeliness, had maintained positive tangible net equity (i.e. at least \$1.00), and had maintained positive working capital (i.e. at least \$1.00).

In the event that a physician organization is not in compliance with any of the above criteria, the organization would be required to describe in a report submitted to the DMHC the reasons for non-compliance and actions to be taken to bring the organization into compliance. Additionally, under these regulations, the DMHC can make public some of the information contained in the reports, including, but not limited to, whether or not a particular physician organization met each of the criteria. In the event ApolloMed's affiliated physician groups are not able to meet certain of the financial solvency requirements, and fail to meet subsequent corrective action plans, ApolloMed's affiliated physician groups could be subject to sanctions, or limitations on, or removal of, their abilities to do business in California.

The DMHC determined that, as of February 28, 2016, MMG was not in compliance with the DMHC's positive TNE requirement for a RBO. As a result, the DMHC required MMG to develop and implement a corrective action plan ("CAP") for such deficiency. MMG's CAP has been submitted and was approved by the DMHC in December 2016. Through an intercompany revolving subordinate loan from AMM, MMG achieved positive TNE in the third quarter of fiscal 2017 and has maintained positive TNE to date. In addition, MMG arranged for City National Bank ("CNB") to provide two irrevocable standby letters of credit. Since MMG maintained positive TNE for one full quarter, the DMHC permitted MMG to be taken off the CAP. However, there can be no assurance that MMG will remain in compliance with DMHC requirements in the future. To the extent that ApolloMed is required to contribute additional capital to MMG in the future, ApolloMed would have less available cash to use on other parts of its business.

Non-compliance with the TNE requirement or any other applicable regulatory requirement by ApolloMed and its applicable affiliates could result in significant consequences, including suspension or termination of operations and thus adversely affect ApolloMed's business, prospects, revenues and earnings. In addition, changes in compliance requirements or in governmental policies could also impact ApolloMed's operations, revenues and earnings by, among other things, increasing resource spent in compliance efforts and limiting the scope of ApolloMed's operations.

ApolloMed and its board of directors may be subject to liability for failure to fully comply with federal and state securities laws.

ApolloMed is subject to federal and state securities laws. Any failure to comply with such laws, such as ApolloMed's failing to file information statements for two corporate actions taken by its majority stockholders in written consents in 2012 and 2013, could cause federal or state agencies to take action against ApolloMed, which could restrict its ability to issue securities and result in fines or penalties. Any claims brought by such an agency could also cause ApolloMed to expend resources to defend itself, would divert the attention of its management from ApolloMed's core business and could significantly harm ApolloMed's business, operating results and financial condition, even if the claims are resolved in ApolloMed's favor. Further, at ApolloMed's 2016 annual meeting, its stockholders voted on the frequency of their future votes on its executive compensation. ApolloMed inadvertently failed to file, within 150 days after the meeting, a Form 8-K amendment to disclose its decision as to how frequently it will hold such a vote, resulting in ApolloMed's failing to file all reports required to be filed by Section 13 or 15(d) of the Exchange Act for at least 12 months before filing certain subsequent periodic and other reports. Such failure may adversely affect the effectiveness of ApolloMed's registration statement on Form S-8 filed in May 2016 and ApolloMed may need to refile such registration statement. This failure also hinders ApolloMed's ability to issue securities in certain transactions and raise additional capital, including being unable to use Form S-3 for a substantial period of time. ApolloMed may also be subject to certain other restrictions or fines or penalties.

In addition, a plaintiffs' securities law firm has announced that it is investigating ApolloMed and ApolloMed's board of directors for potential federal law violations and breaches of fiduciary duties in connection with the Merger, and sent a letter to ApolloMed's counsel, alleging disclosure deficiencies in the Rule 424(b)(3) prospectus filed by NMM and ApolloMed on November 15, 2017. Such letter was followed by a draft class action complaint, which, among other demands, seeks to enjoin the closing of the Merger as well as damages, fees and expenses. This threatened action purportedly focuses on whether ApolloMed and its board of directors violated federal securities laws or breached their fiduciary duties to ApolloMed's stockholders by failing to properly value the Merger and failing to disclose all material information in connection with the Merger. ApolloMed cannot preclude the possibility that this threatened action or any other lawsuit brought relating to any alleged federal law violations or breaches of fiduciary duty in connection with the Merger could result in a delay of the Merger, as well as the potentially significant expenditures of time and resources to defend any such lawsuit. As a result, ApolloMed's management and board of directors may have less time to devote to ApolloMed's business, the consummation of the Merger and the successful integration of the business of ApolloMed and NMM.

Economic conditions or changing consumer preferences could adversely impact ApolloMed's business.

A downturn in economic conditions in one or more of ApolloMed's markets could have a material adverse effect on ApolloMed's results of operations, financial condition, business and prospects. Historically, state budget limitations have resulted in reduced state spending. Given that Medicaid is a significant component of state budgets, an economic downturn would put continued cost containment pressures on Medicaid outlays for ApolloMed's services in California.

In addition, an economic downturn and/or sustained unemployment, may also impact the number of enrollees in managed care programs as well as the profitability of managed care companies, which could result in reduced reimbursement rates.

The existing Federal deficit, as well as deficit spending by the government as the result of adverse developments in the economy or other reasons, can lead to continuing pressure to reduce government expenditures for other purposes, including government-funded programs in which ApolloMed participates, such as Medicare and Medicaid. Such actions in turn may adversely affect ApolloMed's results of operations.

Although ApolloMed attempts to stay informed of government and customer trends, any sustained failure to identify and respond to trends could have a material adverse effect on ApolloMed's results of operations, financial condition, business and prospects.

ApolloMed's success depends, to a significant degree, upon ApolloMed's ability to adapt to a changing market and continued development of additional services.

Although ApolloMed expects to provide a broad and competitive range of services, there can be no assurance of acceptance by the marketplace. ApolloMed's ability to procure new contracts may be dependent upon the continuing results achieved at the current facilities, upon pricing and operational considerations, and the potential need for continuing improvement to existing services. Moreover, the markets for such services may not develop as expected nor can there be any assurance that ApolloMed will be successful in its marketing of any such services.

Competition for physicians is intense, and ApolloMed may not be able to hire and retain qualified physicians to provide services.

ApolloMed is dependent on its affiliated physicians to provide services and generate revenue. ApolloMed competes with many types of healthcare providers, including teaching, research and government institutions, hospitals and other practice groups, for the services of clinicians. The limited number of residents entering the job market each year and the limited number of other licensed providers seeking to change employers makes it challenging to meet ApolloMed's hiring needs and may require ApolloMed to contract *locum tenens* physicians or to increase physician compensation in a manner that decreases its profit margins. The limited number of residents and other licensed providers also impacts ApolloMed's ability to recruit new physicians with the expertise necessary to provide services within ApolloMed's business and its ability to renew contracts with existing physicians on acceptable terms. If ApolloMed does not do so, its ability to provide services could be adversely affected. Even though ApolloMed's physician turnover rate has remained stable over at least the last three years, if the turnover rate were to increase significantly, ApolloMed's growth could be adversely affected.

Moreover, unlike some of ApolloMed's competitors who sometimes pay additional compensation to physicians who agree to provide services exclusively to that competitor, ApolloMed's IPAs have historically not entered into such exclusivity agreements and have allowed its affiliated physicians to affiliate with multiple IPAs. This practice may place ApolloMed at a competitive disadvantage regarding the hiring and retention of physicians relative to those competitors who do enter into such exclusivity agreements.

The healthcare industry continues to experience shortages in qualified service employees and management personnel and ApolloMed may be unable to hire qualified employees.

ApolloMed competes with other healthcare providers for its employees, both clinical associates and management personnel. As the demand for health services continues to exceed the supply of available and qualified staff, ApolloMed and its competitors have been forced to offer more attractive wage and benefit packages to these professionals. Furthermore, the competition for this segment of the labor market has created turnover as many seek to take advantage of the supply of available positions, many of which offer new and more attractive wage and benefit packages. In addition to the wage pressures described above, the cost of training new employees amid the turnover rates may cause added pressure on ApolloMed's operating margins. Lastly, the market for qualified nurses and therapists is highly competitive, which may adversely affect ApolloMed's palliative, home health and hospice operations, which are particularly dependent on nurses for patient care.

The healthcare industry is highly competitive.

There are many other companies and individuals currently providing health care services, many of which have been in business longer than ApolloMed has been, and/or have substantially more financial and personnel resources than ApolloMed has. ApolloMed competes directly with national, regional and local providers of inpatient healthcare for patients and physicians. Other companies could enter the market in the future and divert some or all of ApolloMed's business. On a national basis, ApolloMed's competitors include, but are not limited to, Team Health, EmCare, DaVita and Heritage, each of which has greater financial and other resources available to them. ApolloMed also competes with physician groups and privately-owned health care companies in each of ApolloMed's local markets. Existing or future competitors also may seek to compete with ApolloMed for acquisitions, which could have the effect of increasing the price and reducing the number of suitable acquisitions, which would have an adverse impact on ApolloMed's growth strategy. Since there are virtually no capital expenditures required to enter the industry, there are few financial barriers to entry. Individual physicians, physician groups and companies in other healthcare industry segments, including hospitals with which ApolloMed has contracts, and some of which have greater financial, marketing and staffing resources, may become competitors in providing health care services, and this competition may have a material adverse effect on ApolloMed's business operations and financial position. In addition, certain governmental payors contract for services with independent providers such that ApolloMed's relationships with these payors are not exclusive, particularly in California, where all of ApolloMed's operations, providers and patients are located.

Additionally, as ApolloMed has expanded into palliative, home health and hospice care through ApolloMed Palliative, ApolloMed faces competitors that have traditionally concentrated in this segment and that may have greater resources and specialized expertise than ApolloMed has. In many areas in which ApolloMed's palliative, home health and hospice care programs are located, it competes with a large number of organizations, including:

- community-based home health and hospice providers;

- national and regional companies;

- hospital-based home health agencies, hospice and palliative care programs; and

- nursing homes.

ApolloMed may be unable to compete successfully with these competitors in palliative, home health and hospice care, and may expend significant resources without success.

ApolloMed relies on referrals from third parties for its services.

ApolloMed's business relies in part on referrals from third parties for its services. ApolloMed receives referrals from community medical providers, emergency departments, payors, and hospitals in the same manner as other medical professionals receive patient referrals. ApolloMed does not provide compensation or other remuneration to its referral sources for referring patients to them. A decrease in these referrals due to competition, concerns about the quality of ApolloMed's services and other factors could result in a significant decrease in ApolloMed's revenues and adversely impact its financial condition. Similarly, ApolloMed cannot assure that it will be able to obtain or maintain preferred provider status with significant third-party payors in the communities where it operates. If ApolloMed is unable to maintain its referral base or ApolloMed's preferred provider status with significant third-party payors, it may negatively impact its revenues and financial performance.

Hospitals and other inpatient and post-acute care facilities may terminate their agreements with ApolloMed or reduce the fees it pays them.

During the fiscal year ended March 31, 2017, ApolloMed derived approximately 49% of its net revenue for physician services from contracts directly with hospitals and other inpatient and post-acute care facilities. ApolloMed's current

partner facilities may decide not to renew ApolloMed's contracts, introduce unfavorable terms, or reduce fees paid to ApolloMed. Any of these events may impact the ability of ApolloMed's physician practice groups to operate at such facilities, which would negatively impact ApolloMed's revenue, results of operations and financial condition.

Some of the hospitals where ApolloMed's affiliated physicians provide services may have its medical staff closed to non-contracted physicians.

In general, ApolloMed's affiliated physicians may only provide services in a hospital where it has certain credentials, called privileges, which are granted by the medical staff and controlled by the legally binding medical staff bylaws of the hospital. The medical staff decides who will receive privileges and the medical staff of the hospitals where ApolloMed currently provides services or wish to provide services could decide that non-contracted physicians can no longer receive privileges to practice there. Such a decision would limit ApolloMed's ability to furnish services in a hospital, decrease the number of ApolloMed's affiliated physicians who could provide services or preclude ApolloMed from entering new hospitals. In addition, hospitals may attempt to enter into exclusive contracts for physician services, which would reduce access to certain populations of patients within the hospital.

ApolloMed may have difficulty collecting payments from third-party payors in a timely manner.

ApolloMed derives significant revenue from third-party payors, and delays in payment or audits leading to refunds to payors may adversely impact ApolloMed's net revenue. ApolloMed assumes the financial risks relating to uncollectible and delayed payments. In particular, ApolloMed relies on some key governmental payors. Governmental payors typically pay on a more extended payment cycle, which could result in ApolloMed incurring expenses prior to receiving corresponding revenue. In the current healthcare environment, payors are continuing its efforts to control expenditures for healthcare, including proposals to revise coverage and reimbursement policies. ApolloMed may experience difficulties in collecting revenue because third-party payors may seek to reduce or delay payment to which ApolloMed believes it is entitled. If ApolloMed is not paid fully and in a timely manner for such services or there is a finding that it was incorrectly paid, its revenues, cash flows and financial condition could be adversely affected.

Decreases in payor rates could adversely affect ApolloMed.

Decreases in payor rates, either prospectively or retroactively, could have a significant adverse effect on ApolloMed's revenue, cash flow and results of operations. For example, during fiscal 2016, Health Net, Inc. reduced payor rates to its payees, including ApolloMed, retroactive to July 1, 2015 and LA Care reduced payor rates to its payees, including ApolloMed, retroactive to January 1, 2016.

ApolloMed's business model depends on numerous complex management information systems, and any failure to successfully maintain these systems or implement new systems could undermine ApolloMed's ability to receive ACO payments and otherwise materially harm ApolloMed's operations and result in potential violations of healthcare laws and regulations.

ApolloMed depends on a complex, specialized, integrated management information system and standardized procedures for operational and financial information, as well as for ApolloMed's billing operations. ApolloMed may be unable to enhance its existing management information systems or implement new management information systems where necessary. Additionally, ApolloMed may experience unanticipated delays, complications or expenses in implementing, integrating and operating its systems. ApolloMed's management information systems may require modifications, improvements or replacements that may require both substantial expenditures as well as interruptions in operations. ApolloMed's ability to implement these systems is subject to the availability of information technology and skilled personnel to assist ApolloMed in creating and implementing these systems. ApolloMed's failure to successfully implement and maintain all of its systems could undermine its ability to receive MSSP payments and otherwise have a material adverse effect on its business, results of operations and financial condition. Additionally, ApolloMed's failure to successfully operate its billing systems could lead to potential violations of healthcare laws and regulations.

The requirements of remaining a public company and the new requirements under the NASDAQ listing rules that ApolloMed may become subject to if it successfully uplists to NASDAQ may strain ApolloMed's resources and distract ApolloMed's management, which could make it difficult to manage its business.

As a public company, ApolloMed, including following the closing of Merger, is required to comply with various regulatory and reporting requirements, including those required by the SEC. If ApolloMed uplists to NASDAQ, ApolloMed will become subject to NASDAQ listing rules. Complying with these requirements are time-consuming and expensive, creating pressure on ApolloMed's financial resources and, accordingly, ApolloMed's results of operations and financial condition.

From time to time ApolloMed may be required to write-off intangible assets, such as goodwill, due to impairment.

ApolloMed's intangible assets are subject to annual impairment testing. Under current accounting standards, goodwill is tested for impairment on an annual basis and ApolloMed may be subject to impairment losses as circumstances change after an acquisition. If ApolloMed records an impairment loss related to ApolloMed's goodwill, it could have a material adverse effect on its results of operations for the year in which the impairment is recorded.

ApolloMed currently derives 100% of its revenues in California and is vulnerable to changes in California healthcare laws and regulations.

ApolloMed's business and operations is located in one state, California. Any material changes by California with respect to strategy, taxation and economics of healthcare delivery, reimbursements, financial requirements or other aspects of regulation of the healthcare industry could have an adverse effect on ApolloMed's business, results of operations and financial condition.

A prolonged disruption of the capital and/or credit markets may adversely affect ApolloMed's future access to capital, ApolloMed's cost of capital and its ability to continue operations.

ApolloMed has relied substantially on the capital and credit markets for liquidity and to execute ApolloMed's business strategies, which includes a combination of internal growth and acquisitions. Volatility and disruption of the U.S. capital and credit markets may adversely affect ApolloMed's access to capital and/or increase its cost of capital. Should current economic and market conditions deteriorate, ApolloMed's ability to finance its ongoing operations and its expansion may be adversely affected, it may be unable to raise necessary funds, its cost of debt or equity capital may increase significantly and future access to capital markets may be adversely affected.

Uncertain or adverse economic conditions may have a negative impact on ApolloMed's industry, business, results of operations or financial position.

Uncertain or adverse economic conditions could have a negative effect on the fundamentals of ApolloMed's business, results of operations and/or financial position. These conditions could have a negative impact on ApolloMed's industry. There can be no assurance that ApolloMed will not experience any material adverse effect on its business as a result of future economic conditions or that the actions of the U.S. Government, Federal Reserve or other governmental and regulatory bodies, for the purpose of stimulating the economy or financial markets will achieve its intended effect. Additionally, some of these actions may adversely affect financial institutions, capital providers, ApolloMed's customers or ApolloMed's financial condition, results of operations or the price of ApolloMed's securities. Potential consequences of the foregoing include:

- ApolloMed's ability to issue equity and/or borrow capital on terms and conditions that ApolloMed finds acceptable, or at all, may be limited, which could limit ApolloMed's ability to access capital;

- potential increased costs of borrowing capital if inter